

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

Thursday December 22 1983

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D 8523 B

Prudential opts
for the acorn
route, Page 13

NEWS SUMMARY

GENERAL

Austerity budget for Brazil

Brazil's Government has approved an exceptionally tough austerity budget for next year. Virtually all subsidised credit for the key agriculture and export sectors of the economy, a big source of public spending, is to be eliminated. The moves are likely to gratify Brazil's foreign creditors, while deepening the three-year-old domestic recession.

Two new banknotes, for Cr 10,000 and Cr 50,000, are to be introduced. The present biggest one Cr 5,000 is worth just over \$5. Page 12

IRA bomb: 4 held

London police detained four people during the investigation of the IRA bombing outside Harrods store on Saturday.

Moroccan attack

The Polisario Front, fighting Morocco for control of Western Sahara, said 25,000 Moroccan troops launched a big offensive in the territory with tanks and aircraft.

Curb on meetings

Kuwait banned meetings of over 20 people without official permission, in the wake of fatal bomb attacks earlier this month.

Sudan rebels hit

Sudan's said government troops broke a rebel siege of a southern town, Nasir, and inflicted heavy losses on the insurgents, who fled towards Ethiopia.

Bombs in Turkey

Two bombs exploded in Istanbul and Ankara, injuring five people, and another was defused in Izmir. An Iranian and a Syrian were arrested, and Premier Turgut Ozal said the blasts seemed aimed at targets connected with Middle East fighting.

Extradition order

Alleged terrorist Luciano Petrone must return to Italy to stand trial for murdering two Rome policemen, the London High Court ruled.

N-leak warning

British Nuclear Fuels may face prosecution over radioactive discharges into the sea from its Sellafield (Windscale) plant in north England. Page 5.

Argentine arrest

Two leaders of an outlawed terrorist group returned to Argentina to announce the group's dissolution. One, former Cordoba governor Ricardo Obregon Cano, was arrested by airport police. Page 4

Anti-Mafia warrant

Italy's "casino blitz" against people accused of helping the Mafia to launder funds has brought an arrest warrant for Sig Mario Andreone, President of the Valle d'Aosta regional government.

Dissident sentenced

Hungarian dissident Gabor Demuszky was given a six-month suspended sentence for assaulting two policemen. He denies the charge and is to appeal.

Wellington wins

Belgian Finance Minister Willy de Clercq rejected a budget amendment that would have stopped a Bfr 100,000 (\$17,500) annuity paid to the British Duke of Wellington since his ancestor won the battle of Waterloo.

BUSINESS

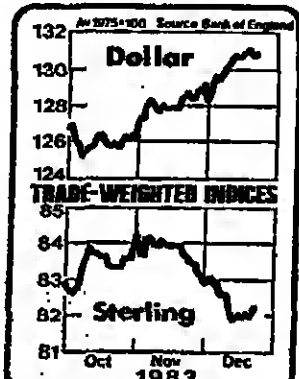
Dutch reject Taiwan sub deal

DUTCH Government yesterday refused to approve the sale of four more submarines to Taiwan, deciding this would have "serious consequences" for its relations with China. The sale of two submarines three years ago precipitated a crisis in Sino-Dutch relations which has still not been settled. Parliament is expected to approve the decision to refuse an export licence. Page 12

LONDON: Equities continued higher, the FT Industrial Ordinary index gaining 2.2 to a record 772.6. Report, Page 23; FT share information service, Pages 24-25

TOKYO shares also reached new peaks. The Nikkei Dow Index rose 89.72 to 8,717.85, its second consecutive record. The Stock Exchange index added 3.74 to 7,127.27. Report, Page 19; leading prices, other exchanges, Page 22

WALL STREET: Dow Jones industrial average closed 13.01 up at 1,254.98. Report, Page 19; full share listings, Page 28-32



DOLLAR firmed in London, although lower U.S. estimates than expected of fourth-quarter GNP drew it back from its peaks. It closed higher at DM 2.7715 (DM 2.768), FF 8.46 (FF 8.4475), SwFr 2.214 (SwFr 2.205) and Y24.9 (Y24.7). In New York it closed at DM 2.7690; SwFr 2.2136; FF 8.455 and Y24.75. Its trade-weighted index was 130.9 (130.8). Page 29

STERLING rose 35 points in London to \$1.4225, and was higher at DM 3.345 (DM 3.3275), FF 12.03 (FF 11.985), SwFr 3.15 (SwFr 3.13) and Y24.25 (Y23.25). In New York it closed at \$1.4250. Its trade-weighted index was 82.3 (81.9). Page 29

GOLD rose 50 cents in London to \$378.75. It added 50 cents at \$378.75 in Zurich and 75 cents at \$378.75 in Frankfurt. In New York, the Comex December settlement was \$377.8 (\$379.4). Page 28

SWISS economy showed its first improvement since early 1982. Third-quarter GDP rose 0.3 per cent in real terms over the same period last year.

EEC inflation slowed last month, to an annual 8.4 per cent, against 8.4 per cent in October. West Germany's was 2.6 per cent, Greece's 19.8 per cent.

JAPAN seems likely to pass Britain as the biggest foreign investor in Australia, new figures suggest. Japanese investment in 1982-83 rose 71 per cent to A\$2.67bn (\$2.4bn). Page 3

TOYO KOGYO, maker of Mazda cars, reported record unconsolidated recurring profits of ¥45.3bn (\$193m), up 4.4 per cent, for the year. It is to be renamed Mazda Motor Corporation. Page 13

ZAHNRADFABRIK PASSAU, West German transmission maker, is to join International Harvester of the U.S. in making transaxles for tractors in France and the UK. Page 13

POLLY PECK, fast-growing British citrus fruit and packaging group, is to raise up to £5m (\$7m) of long-term capital. Page 16; Lex, Page 12

AT&T buys 25% of Olivetti to forge major link

BY ALAN FRIEDMAN IN ROME

American Telephone and Telegraph (AT&T) will spend \$260m to acquire 25 per cent of Olivetti, Europe's leading data processing equipment company, as part of "an industrial, commercial and financial alliance" which is to involve joint product development, distribution and technological co-operation.

The nine-year agreement, announced yesterday, restricts AT&T's stake to 25 per cent for the first four years, after which the U.S. group - the world's largest telecommunications company - will be allowed to increase its holding to 40 per cent.

AT&T has agreed to purchase \$250m of Olivetti products in the initial 12 months, which start in mid-1984.

Sig Carlo de Benedetti, chairman of Olivetti, yesterday described the new partnership as "the only alliance which can compete with IBM on a world level." He had ruled out a link between Olivetti and another European company because "there are no European partners who could strengthen us in terms of products and technology in the way AT&T can."

Sig de Benedetti said at the start of negotiations a year ago AT&T

wanted majority control of Olivetti, but this was refused on the ground that Olivetti had to retain its own independence and European identity. "If everything works the way we expect it to, there is no reason why AT&T will not go to 40 per cent in four years' time."

AT&T's 25 per cent shareholding will be achieved by the issue of 100m new Olivetti shares, bringing the total number of shares to 430m. The De Benedetti family's stake in Olivetti, held through CIR, a family holding company, will be diluted from 20 to 18 per cent.

AT&T is paying £4,300 a share which represents a premium of nearly 13 per cent over Olivetti's closing share price on the Milan bourse last night, £3.811. In after-hours trading the price was pitched at £3.950.

The AT&T deal places a market value of more than \$1bn on Olivetti,

which will this year make record profits, according to Sig De Benedetti. He said Olivetti's 1983 turnover would also be a record, at more than £3,800m (\$2.1bn).

That compares with a forecast of more than \$56bn of revenue for AT&T as it is now constituted in 1984 and predicted net income of \$2.1bn.

On January 1, however, the telecommunications group will be split up, with AT&T itself retaining long-distance telephone network and international interests.

Mr Robert Sageman, president of AT&T International, said in Rome last night the alliance with Olivetti "marks the beginning of a very warm and long-term relationship." The two companies would complement each other.

Continued on Page 12
Olivetti teams with a colossus, Page 18; Lex Page 12

Beirut truck-bomb raids on French, U.S. troops

BY NORA BOUSTANY IN BEIRUT AND OUR CORRESPONDENT IN TEL AVIV

THE FRENCH and U.S. contingents in the Lebanese multinational peacekeeping force came under renewed attack yesterday in another spate of truck bombings.

A huge blast rocked the area around the headquarters of France's 3rd parachute regiment last night, killing at least one paratrooper and wounding 10 others and almost demolishing a three-storey building. Many civilians were wounded.

Five minutes earlier, another bomb killed at least four people at a hotel said to have been used by off-duty U.S. marines. The ground floor of the Marble Tower Hotel was wrecked by the explosion. A marine who escaped the blast said none of his colleagues had been in the hotel at the time.

At least 14 people died in the two explosions, with dozens injured. Witnesses reported that a truck had drawn up outside the French base and the driver leaped out moments before the explosion.

The French have come under in-

creased pressure during the past few days in Beirut. Last week two French soldiers were killed, the first casualties since 58 died in the October attack on their headquarters. Yesterday morning a French position in West Beirut was hit by rocket and small arms fire.

Earlier yesterday, Israel launched an air strike deep inside Lebanon and announced that its war against Palestinian guerrillas would continue unabated after the evacuation of Mr Yasser Arafat's forces from Tripoli.

The Israeli aircraft raided an Iranian-backed Shi'ite militia base in territory controlled by Syria near Baalbek, in the northern Bekaa Valley.

The base is reported to be a training centre for a group led by Mr Hussein Moussawa. The Israelis say the group was almost certainly responsible for the car bomb attacks that destroyed Israeli, French and American bases in Lebanon earlier this year.

Defence Minister Moshe Arens

said that now Mr Arafat's guerrillas have left Tripoli, the military campaign will be aimed at the Syrian-supported Palestinian rebels who forced his evacuation.

"We will continue to fight Syria because as long as terrorist gangs in Lebanon in areas under Syrian control are not destroyed, we will hit terrorist targets there as we did this morning," he said.

The statement fits in with the U.S.-Israeli policy of adopting a tougher line with Damascus. Israeli officials have dismissed Mr Abu Musa, leader of the Palestine Liberation Organisation rebels, as a Syrian puppet.

Mr Hosni Mubarak, the Egyptian President, raised the possibility yesterday that he might shortly meet Mr Arafat. The ship carrying the Palestinian leader and two other vessels were due to arrive at Port Said late yesterday before passing through the Suez Canal on their way to North Yemen.

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The U.S. engine for higher growth, Page 2; Editorial comment, Page 10

BL freeze on truck projects hits Cummins engine venture

BY MARK MEREDITH, SCOTTISH CORRESPONDENT, IN EDINBURGH

LEYLAND TRUCKS of the UK has frozen all capital investment in Europe with Scottish-built engines. An output of 40,000 a year from Bathgate was forecast.

Cummins' UK subsidiary said yesterday it had not heard from Leyland about any freeze in the plan. Mr Euan Macfarlane, managing director of Cummins at Darlington, North-East England, insisted that close collaboration was going ahead.

Leyland yesterday confirmed that the freeze on total investment had been ordered, but refused to give further details of what it claimed was an internal communications exercise.

News of the capital investment freeze was given in a staff newsletter by Mr Les Wharton, managing director of Leyland Trucks, the tone of which was similar to a message he delivered during the summer when he said Leyland's truck divi-

sion was "literally fighting for survival."

Mr Wharton said that Leyland's "recovery plan" - instituted in early 1982 following a previous review of the truck operations - had stalled. The plan involved a 27 per cent, or £100, cut in jobs on top of the reductions of 7,000 in 1979-80 and 3,000 in 1981.

Mr Jimmy Swan, the trade union convenor at Bathgate, has called for a meeting with Mr George Younger, the Secretary of State for Scotland, to discuss the implications of the freeze. "Because of the weakness of the export market, the loss of the engine contract could mean the end of Bathgate," he said.

Mr Swan claimed that in August Leyland had given a commitment that it would go ahead with the Cummins engine project and an initial tranche of £10m was allocated. He said the company had not ruled out job losses.

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Europe will lag in world upturn - OECD

By Max Wilkinson, Economics Correspondent, in Paris

THE PROSPECTS for the world economy have improved substantially but the recovery in Europe is still weak and uncertain, the Paris-based Organisation for Economic Co-operation and Development (OECD) says in its latest forecast, published yesterday.

The tone of the OECD's six-monthly outlook is substantially more optimistic than it has been for some time, although it draws attention to potentially severe difficulties relating to the feebleness of recovery in Europe and the U.S. budget deficits.

For the 24 member countries in the developed world, the OECD is expecting economic growth to accelerate from 2.4 per cent in 1983 to 3.3 per cent next year, but to slow again to an annual rate of 2.4 per cent in the first six months of 1985.

It expects the world inflation rate to average about 5.4 per cent during the period, with a slight pick-up in the beginning of 1985. The organisation believes that recovery will be heavily concentrated in the U.S. and Japan, with a growth rate next year reaching 5 per cent in the U.S. and 4 per cent in Japan.

In Europe, the picture is much bleaker. The UK will lead the way with growth of only 2.4 per cent next year, followed by West Germany and Italy each with growth of 2 per cent. France, by contrast, is expected to remain in recession with zero growth next year and only a very weak recovery starting in 1985.

The OECD says the recovery in Europe will not be enough to prevent unemployment from rising further - from 10.4 per cent of the workforce this year to 12 per cent in the first six months of 1985.

Even in Japan, the rate of growth will not be fast enough to prevent some small rise in unemployment. But further reductions in unemployment in the U.S. will hold the OECD average at 9 per cent of the workforce throughout the forecast period. That suggests that some 33m of the 360m workforce in the OECD area will be unemployed in 1985.

Mr Kjell Andersen, acting head of the OECD economics and statistics department, said the OECD growth rate over the last year was

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U.S. recovery steady but below forecast

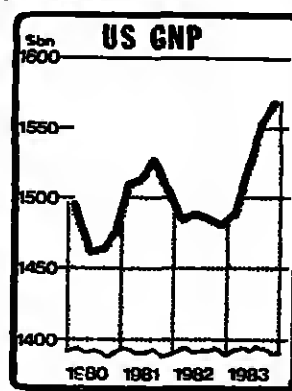
BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON

THE U.S. economic recovery is proceeding at a steady pace, although more slowly than had been expected in the year's fourth quarter, according to tentative figures released by the Commerce Department yesterday.

The department's preliminary estimate put growth in the country's gross national product (GNP) at an annual real rate of 4.5 per cent in the October to December period - less than the 6-7 per cent that had been forecast by Mr Donald Regan, the Treasury Secretary, and a number of private economists.

The figure was nevertheless taken as good news by the Reagan Administration as it approached the election year of 1984. The White House saw it as confirming President Ronald Reagan's claim that 1983 had been a "banner year" for the U.S. economy. "Confidence is in the air and with good reason," he told a nationally televised news conference on Tuesday night.

The growth rate was down from a revised 7.1 per cent in the third quarter and an exceptional 8.7 per cent in the second. But Mr Regan said it nevertheless constituted a "pleasant surprise," in that interest rates should be marked down by



money market operators to reflect reduced expectations of inflation.

Wall Street stock markets welcomed the Commerce Department's forecast, and the announcement brought a rapid recovery in bond prices from falls suffered late on Tuesday after disappointment with the terms of the Treasury's refunding programme. The Dow Jones industrial index closed 13.01 up at 1,254.98.

The politically sensitive consumer Continued on Page 12
U.S. aid cut blow to Zimbabwe, Page 3

Zaire set to receive \$350m IMF credit

BY DAVID MARSH IN PARIS

THE PARIS CLUB of leading Western creditor nations yesterday agreed to reschedule more than \$1bn of debt owed by Zaire, opening the way for an urgently needed \$350m standby credit from the International Monetary Fund (IMF).

The scheduling - Zaire's sixth in the past eight years - enables the debt-ridden African nation to stretch out its repayments of government loans in 1984, and arrears accumulated in 1983, over an unusually generous 11 years.

The IMF made the debt rescheduling agreement a condition for the authorisation of the planned standby credit, which is now expected to be formally approved before the end of the week.

It follows an austerity programme introduced by the Zaire Government in September, including an 80 per cent devaluation of the currency and cuts in public spending, to try to redress the coun-

try's precarious international payments position.

The debt accord was reached after two days of talks between Zaire government officials and representatives of the principal creditor nations in the Paris Club. It provides for a five-year grace period and a maturity of 11 years, compared with a period of around eight years normally approved for debtor nations.

The agreement reflects the special problems of the Zaire economy, badly hit by the decline in copper and cobalt prices in recent years, and the stagnation of agricultural production.

The IMF loan, which is for a period of 18 months, was agreed in principle last week. The last IMF programme, involving an extended three-year credit of \$500m (\$500m), was suspended because of the Government's inability to keep down its budget deficits.

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EUROPEAN NEWS

Wage-earner funds law pushed through Swedish Parliament

BY KEVIN DONE, NORDIC CORRESPONDENT IN STOCKHOLM

SWEDEN'S minority Social Democratic Government yesterday pushed through legislation to set up collectively-owned wage-earner funds, which are intended to give the unions a growing share in the ownership of industry.

The parliamentary victory, by a majority of six, was made possible in the face of united opposition from the Conservative, Liberal and Centre parties, by the abstention of the 20-strong Communist bloc.

Wage-earner funds have been a divisive issue in Swedish politics for nearly 10 years and yesterday's vote is unlikely to clear the air. The three opposition parties are all committed to doing away with them and the issue is expected to dominate the run-up to the 1988 election.

Five investment funds will be created every next year with instructions to invest in Swedish equities. The nine-member fund boards, appointed by the Government, will include at least five union representatives.

Each fund will receive up to a maximum of SKr 400m

(£34.8m) a year in fresh capital derived from two sources, a new 20 per cent tax on "real" corporate profits (ie after inflation and after an allowance of either SKr 500,000 or 6 per cent of the wage bill) and a 0.2 per cent increase in the pay-roll tax.

The supply of new money is supposed to stop at the end of 1990 by which time the funds will have received SKr 15bn (£1.2bn), equivalent to around 7 per cent of the current total value of Swedish public stock.

Earnings from the funds will be channelled into the national pension system.

Every fund will be able to buy a stake of up to 3 per cent in an individual corporation but, together with the existing state national pension fund, they could collectively build a shareholding of up to 50 per cent in any of Sweden's big corporations.

By 1990 the funds could hold a controlling position in all of Sweden's leading multinational companies, Mr Ulf Adelsohn, leader of the Conservative Party, warned during the marathon 18-hour parliamentary debate.

Smuggled U.S. computer moved to secure area

BY OUR STOCKHOLM CORRESPONDENT

THE sophisticated U.S. computer system seized last month by Swedish customs authorities in an attempt by the Soviet Union, was yesterday officially classified as "military equipment." It is to be moved from the southern Swedish port of Helsingborg to a secure "military area."

The Swedish Government last yesterday, however, to answer a direct request from Mr Casper Weinberger, the U.S. Defence Secretary, and Mr Donald Reagan, the Treasury Secretary, for the return of the computers to the U.S.

The four containers seized in Helsingborg were part of a consignment bound from South Africa via West Germany and Sweden to the USSR, the U.S. Ministers claimed this week.

The contents of the three other containers seized earlier in Hamburg had already been

returned to the U.S. thus foiling a major industrial espionage attempt by the Soviet Union, Mr Weinberger said.

The Swedish Government's sensitive neutrality policy is facing a severe test, and according to the U.S. request could undermine its attempts to deal evenhandedly with both superpowers.

Mr Mats Hellström, the Foreign Trade Minister, said yesterday, however, that Sweden would not be used as "a transit land for illegal traffic."

Mr Hellström said that a report from the Inspector General of Military Equipment had shown that the computers were part of a system "especially designed for military use." Meetings on the computers had been removed or ground down to make identification more difficult, he said.

N-power electricity 'cheaper than coal'

By David Marsh in Paris

NUCLEAR POWER stations being built in Europe and Japan will produce electricity in 1990 around 30 to 75 per cent more cheaply than competing coal-fired plants, according to an OECD study.

The report for the first time gives detailed comparison of capital and fuel costs of nuclear and coal stations throughout the main industrialised countries.

It says nuclear power is expected to have a very clear economic advantage for base-load electricity production except in parts of the U.S. and Canada where cheap coal is available nearby.

Nuclear plant competitiveness, however, is vulnerable to several factors. An increase in nuclear capital costs of 50 per cent, a two-to-three fold increase in nuclear fuel cycle costs, or a drop in the nuclear plant load factor to below 50 per cent would eliminate the advantage over a coal plant operating at a 70 per cent load factor.

Coal power stations sited close to the main U.S. coal fields would be cheaper to build and operate.

Unemployment in EEC at 10.9% of workforce

By Ivo Dawans in Brussels

THE TOTAL number of unemployed in the European Community, excluding Greece, rose to 12.2m by the end of last month—10.9 per cent of the labour force.

Community statisticians said the 1.3 per cent rise since October represents a slight real increase in unemployment after seasonal adjustments. Compared to the same month in 1982, the overall total has risen an estimated 6 per cent.

The UK has had the smallest increases in unemployment over the past 12 months, at 0.7 per cent, followed by France at 2.9 per cent, Belgium at 6.6 per cent and West Germany at 7.6 per cent.

The Italians suffered a 10 per cent rise over the period and the Irish and Luxembourg topped the scale with increases of 17.4 and 18.3 per cent respectively.

France lowers bank lending ceilings

BY DAVID HOUSEGO IN PARIS

NEW CEILINGs have been imposed on bank lending in France in line with the tightening of monetary policy announced on Monday.

Under the limits announced by the Bank of France, the larger banks dispersing more than FFr 15bn (£1.25bn) a year in credit, will have to cut back their normal lending by 24 per cent at the end of 1984 as compared with December 1983.

This year, under the French encadrement system that rations the credit banks can extend, the

larger banks were given an increase in their credit encadrement ceilings of 3 per cent. This was reduced to 2.5 per cent in June as a result of the Government's new austerity measures. Excluded from the encadrement limits, are lending for exports and housing as well as advances made in foreign exchange.

For banks dispersing less than FFr 15bn in credits, no increase in their normal lending operations will be permitted this year.

The new limits are intended to enforce the more restrictive monetary growth targets announced on Monday which provide for an expansion of M2 (cash and readily withdrawable deposits) next year of 54.4 per cent.

However in line with the Government's priorities, bank lending in support of exports will be allowed to grow by 12 per cent next, or at the same pace as in 1983, and loans ceilings for housing are also being increased.

But after this year's permitted growth of 3 per cent in consumer lending, banks next year will be held to zero growth in consumer credit. Likewise their possibilities of escaping the credit ceilings by lending against funds they have raised in bond issues are being reduced.

Overall credit expansion by the banking system to the public and private sectors is thus being slowed down to around 81 per cent next year from the 17 per cent year-on-year rate at the end of 1982.

French oil fraud claim

By Our Paris Staff

A politically-charged affair involving possible misuse of French state funds sent to Switzerland to pursue a mysterious foreign oil exploration venture under the previous right-wing government broke into the open yesterday.

M. Henri Emmanuelli, state secretary at the Budget Ministry, publicly accused a former top judicial official, Bernard Barre, of destroying a government document inquiring into the transfer abroad between 1978 and 1981 of around FFr 500m by the state-controlled oil company, Elf Aquitaine.

The affair centres on Elf's investment in an oil exploration project.

M. Emmanuelli told Parliament yesterday that Elf had transferred abroad a total of FFr 150m to finance the study, of which a part had since been recovered.

The case, which M. Emmanuelli labelled yesterday as a "sleazy deal," has clear political implications. The Elf study was carried out in great secrecy. The necessary authorisations for transfer of funds were thought to have been carried out at the highest level during the administration of President Valéry Giscard d'Estaing and M. Raymond Barre.

M. Emmanuelli said the cash had been transferred to Switzerland in the name of companies based in Panama, Liechtenstein and the New Hebrides.

He termed the destruction of an inquiry into the affair by M. Barre, former head of the Government's body which checks public accounts, as an "abuse of authority."

W. German car output levels off

BY JOHN DAVIES IN FRANKFURT

CAR PRODUCTION in West Germany appears to have levelled off after making strong bursts of recovery earlier this year. It has shown no increase since September on a seasonally adjusted basis, according to the German Automobile Industry Association (VDA).

Output of cars has been one of the main forces behind the country's economic recovery this year, after two years of recession. Sales on the domestic market have surged after declining for four years.

The VDA said yesterday, however, that domestic demand and production had settled down lately, though at a much higher level than a year ago.

The levelling off has not been felt across the board. Prestige car makers, such as Daimler-Benz, have still been enjoying

buoyant demand and production. Ford recently introduced short-time working for 3,500 employees — 7 per cent of its workforce — although the problem is limited to sluggish sales of Granada and Capri models.

According to the VDA, the industry is confident that recovery will continue provided there is no "external shock," such as a serious conflict with the metalworkers' union, over its demand for a 35-hour working week.

The union said yesterday that it did not rule out a conflict with employers early next year and would not be influenced by any sign of a levelling off in car production.

Although total car production, seasonally adjusted, may have reached a plateau, the in-

dustry is encouraged by signs that export markets are continuing to grow. In the first nine months of this year, West German manufacturers exported 211,900 cars last month, 8 per cent more than in November last year.

Production, too, is well above a year ago. More than 351,000 cars rolled off assembly lines last month, 14 per cent more than the peak level of the previous November. Since the beginning of this year, 3,571m cars have been built, but more than in the same period last year.

Truck production continues to present a headache, although manufacturers report signs of a gradual revival in demand. West German plants produced 27,600 commercial vehicles last month, only 800 more than the depressed level a year ago.

Minister's Flick role played down

BY OUR BONN STAFF

THE BONN Economics Ministry yesterday played down the responsibility of Count Otto Lambsdorff, its Minister, for the controversial DM 800m (£204m) tax holiday granted the Flick concern, Count Lambsdorff's predecessor, Herr Hans Friedrichs, now chairman of the Dresdner Bank, could have been influenced in the grant of tax holidays by cash payments from Flick.

In a declaration to the Ministry's employees distributed yesterday, Dr Otto Schlecht, the State Secretary, said Count Lambsdorff has remained in office as the charges were unfounded. Chancellor Helmut Kohl has let it be known that Count Lambs-

dorff should remain at least until the court decides about proceedings against Count Lambsdorff and four others.

The public prosecutor says the Flick concern is suspected of most of the DM 1.5bn it realised from the sale of Daimler-Benz stock in 1975 were taken by officials. On only two of the ten investment projects, Flick was involved.

Dr Schlecht, who was himself involved in evaluating the Flick requests for tax relief, said that the company's files on the discussions with ministry officials were misleading. The files were sequestered by the public prosecutor.

Count Lambsdorff called into adjudicate.

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OECD ECONOMIC OUTLOOK

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

U.S. recovery provides engine for higher growth in developed world

THE WORLD economy has improved more rapidly than expected this year and the outlook is for further improvement, the Organisation for Economic Co-operation and Development says, in its latest assessment, published yesterday.

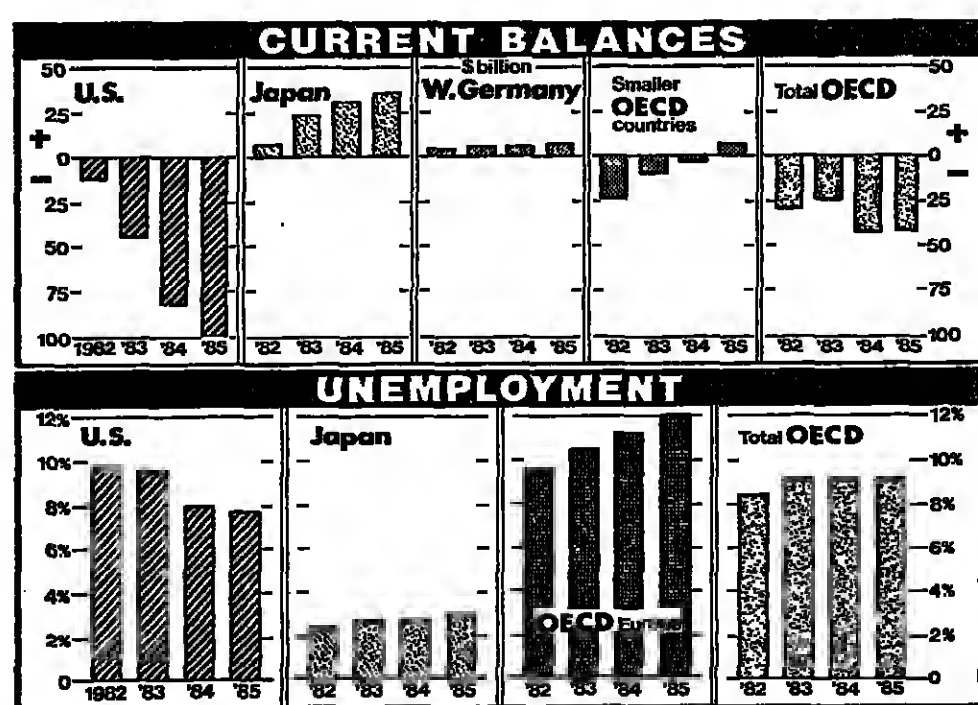
The Paris-based organisation says in its December Economic Outlook that overall economic activity in the developed world may have grown at an annual rate of 2 1/2 per cent in the first half of this year, about half a percentage point faster than the OECD was predicting in the summer.

At the same time, the average inflation rate has fallen rather faster than predicted to an annual rate of about 5 per cent in the year to September, although some slight pick-up is expected next year and in 1985.

The OECD says that the major forces behind the recovery include the expansionary fiscal policies of the U.S. and the increases in real wealth which have resulted from lower inflation in many countries.

However, it cautions: "With tight policies dictated by budget deficits and inflation fears—the recovery outside North America seems likely to be weak and hesitant by past standards."

In most of the industrialised world, the OECD says the effect of lower inflation and improved consumer confidence, has been a significant force for recovery. As the real value of people's financial assets has risen after the unexpectedly steep fall in nominal interest rates, the pro-



portion of income allocated to saving has been reduced.

This has released extra spending power in spite of a sluggish growth of real disposable income in most countries.

The proportion of income going into savings is not expected to fall much further in 1984. However, in 1985 the change in the pattern of saving is estimated to have contributed as much as 1 1/2 percentage points to real growth in the seven

major countries.

In spite of the fall in nominal interest rates from the high levels of two years ago, the OECD says that "real" interest rates, after taking account of current and expected inflation rates, still appear high. Even after taking account of tax allowances it says: "Rates of return on financial assets remain high relative to rates of return on real assets in many sectors."

"On that basis and given announced policies, monetary conditions in the OECD area, while accommodating modest recovery, do not appear to be stimulating demand to any major extent."

"Outside North America, the principal forces acting on the major OECD economies are not expected to generate much net stimulus to demand during the period to mid-1985. To a significant extent, the growth of output can therefore be attributed

to the recovery in the U.S."

Consequently, it says, even if all the forecasts prove to have been on the pessimistic side, "it seems unlikely that growth in Europe and Japan would accelerate to rates comparable with past cyclical upswings."

The OECD says one of the key questions for the continuation of the recovery is the extent to which the proportion of income allocated to savings will continue to fall.

A further fall of half a percentage point in the ratio of savings to income would probably raise world output by 1 per cent after a year or so, the OECD staff estimates.

But they find it difficult to estimate the extent to which faster economic growth would lead to a renewal of inflation. Past experience suggests that an extra 1 per cent of growth over a year or so would raise commodity prices by perhaps 2 to 3 per cent more than forecasts.

"The overall impact on OECD inflation would probably not be very great, given the margin of slack in product and labour markets."

The report says: "Business investment behaviour is essential for the sustainability of the upswing." Fairly weak private investment would lead to a renewal of inflation.

OECD thinks, particularly outside North America, on the basis of survey data and the likely impact of high interest rates together with the relatively weak prospect for growth of sales and capacity

utilisation.

It adds, however, that forecasts of future investments are particularly uncertain, and an increase of 4 per cent in investment in the OECD countries could raise real output by about 2 per cent.

The OECD casts some discreet doubt on the common view in

Budget deficits analysed

THE OECD Economic Outlook devotes a special chapter to the discussion of how large the major countries' budget deficits would be if unemployment were reduced to the most feasible figure. The figures are thought to vary widely between different countries, Max Wilkinson writes.

The "structural" part of government deficits is calculated by the OECD to be the government borrowing which would be needed if the economy were running with full employment.

In Japan about three quarters of the present deficit of 34 per cent of output is identified as being structural, but in West Germany the 3 per cent deficit is thought to be almost all accounted for by cyclical rather than structural factors.

France is estimated to be in structural balance in 1983, while the UK would be running a budget surplus of 3 per cent of output if it had full employment.

It is now estimated that the total government deficits in the OECD countries are equal 48 per cent of total net private savings. This has risen from only 10 per cent in 1979.

Europe that recovery is being inhibited by high interest rates which are in turn caused by very large prospective U.S. budget deficits.

The Outlook reports the view that high interest rates are being caused by the U.S. financial markets' fears that high deficits will lead to high in-

flation. If monetary policy is relaxed or alternatively to an excessive demand for credit in relation to the available savings if money remains tight.

But it comments: "It should be noted, of course, that there are several other possible explanations for the high level of interest rates."

Moreover, it cautions that efforts to reduce future U.S. deficits would have a deflationary fiscal impact on the world economy. It says that such a tightening of U.S. fiscal policy might put downward pressure on the dollar which would depress the competitiveness of other countries' exports to the U.S. and to other markets where they were competing with U.S. exports.

A lower dollar would, thus, tend to weaken demand and output in countries other than the U.S., while tending to increase inflationary pressure in the U.S. itself.

Much would therefore depend on the policy response of other industrialised countries. They might use a depreciation of the dollar as an opportunity to raise domestic interest rates or to relax their fiscal policies. One beneficial effect might be a reduction in the price of oil in currencies other than dollars unless the oil price fell in sympathy with a declining dollar.

* OECD Economic Outlook No 34, December 1983 from OECD, 2 rue André Pascal, 75775 Paris Cedex 16, France.

Slow growth predicted in Hungary's 1984 plan

By Leslie Collis in Berlin

HUNGARY'S economic growth next year will continue to be slow, according to the draft 1984 economic plan. National income is to expand 1.5 to 2 per cent compared with planned growth of 0.5 to 1 per cent this year.

Industrial production next year is to rise 1.5 to 2 per cent, the same as in this year's plan. The acute achievement to the end of October, however, was 1.3 per cent growth.

Agricultural output is expected to remain at the 1982 level or to expand by 1 per cent. Farm production fell this year because of a poor harvest. Personal consumption is to remain at this year's level which was supposed to have declined from last year's but which rose instead because of earnings in the "second economy."

The first trial in a decade of a disident in Hungary began yesterday. Mr Gabor Demszky, editor, publisher and distributor of the ABC underground publication, was charged with assaulting two policemen. Mr Demszky's lawyer said he had only tried to retrieve personal papers taken in September during a search of his car. Mr Demszky was said to have been beaten and hospitalised for four days.

Italy releases Bulgarian in 'Pope plot'

By Anthony Robinson

SERGEI ANTONOV, the Bulgarian airline representative accused of complicity in the plot to kill Pope John Paul II, was released yesterday, mainly on evidence supplied by convicted Turkish terrorist Ali Agca, who was freed from a Rome prison yesterday. Rome magistrates explained they had accepted his lawyers' request for release on health grounds but placed him under house arrest instead.

In Moscow the Tass news agency welcomed the release as proof of Soviet assertions that Mr Antonov's arrest, which raised questions of KGB complicity in the papal assassination attempt, was a "world manoeuvre" a provocation carried out on CIA instructions.

Mr Antonov, who was himself involved in evaluating the Flick requests for tax relief, said that the company's files on the discussions with ministry officials were misleading. The files were sequestered by the public prosecutor.

Count Lambsdorff called into adjudicate.

Count Lambsdorff called into adjudicate.

Productivity makes strong gain but Britain likely to remain an unemployment black spot

BY ROBIN PAULEY

UNEMPLOYMENT in the European OECD states is expected to continue rising throughout 1984 and 1985, and of the world's seven leading OECD states, Britain is forecast to have the highest unemployment rate throughout that period.

The forecast says employment is likely to stabilise or increase in the U.S., Canada, Japan, Britain and several smaller OECD states and to

drift further downward in other European countries. Productivity growth is expected to recover in most of the OECD area, with particularly strong gains in Europe, magnifying forecast employment losses.

"As a result unemployment will decline in North America, remain low in Japan but increase for OECD Europe as a whole." By the end of 1985 the OECD predicts a total of 33m people out of work in its area, of which more than 20m will be in Europe, compared with 18m out of the total 32.5m in the current year.

In the leading seven states, Canada has the highest un-

employment rate in 1983 (12 per cent) followed by Britain (11 per cent) and Italy (10 per cent). Britain is expected to have the worst rates in both 1984 and 1985, staying at 11 per cent throughout the period as rising employment will do no more than match the increase in the labour force.

The cumulative decline in employment since 1979 in Europe has amounted to 2.1 per cent or 2.3m people while productivity has risen by 4.6 per cent during the period, nearly twice the rate of growth of real gross domestic product.

"The divergence between productivity and output trends was most marked in the United Kingdom, where productivity advanced by a total of 6 per cent while real output remains slightly below the 1979 level."

Europe's strong productivity performance reflects attempts by employers to improve profitability in conditions of exceptionally low interest rates and high costs of external finance.

Youth unemployment continues to worsen. By mid-1983 youth unemployment rates were around 40 per cent in Spain, 30 per cent in Italy, and more than 20 per cent in France, Britain and Canada. Only Japan (5.5 per cent)

and Sweden (8.5 per cent) had single figure youth unemployment rates of the 12 OECD countries for which data is available.

Prospects for sustained recovery without resurgent wage inflation are mixed, says the forecast. "Much will depend on whether the moderate wage settlements seen since 1979 reflect a lasting change in inflation expectations or a temporary response to post-war record unemployment."

The rate of increase in OECD consumer prices has fallen steadily since 1980, when the 12-month rate hit a peak of around 13 per cent.

In June 1983 the annual rate of increase was down to 4.9 per cent, which has remained stable until a slight rise recently.

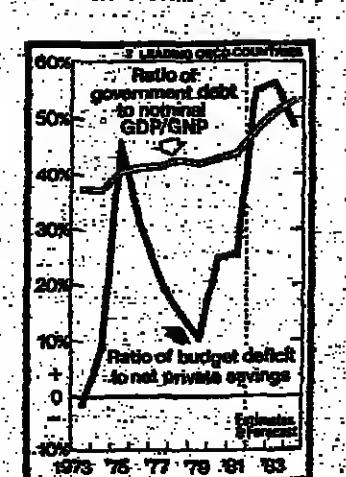
The OECD feels that the disinflationary effect of falling commodity and oil prices has probably ended. Domestic unit labour costs should continue to grow comparatively slowly in the short run as recent wage settlements and preliminary wage claims remain modest and there has been a brisk recovery in labour productivity growth.

"In the medium term, however, lower inflation will require yet lower nominal wage increases, barring a

fundamental improvement in productivity performance. That seems unlikely."

On the other hand the risk of a renewed commodity price surge appears remote. The OECD's main hope for continuing lower rates of inflation lies in its own very modest predictions for the growth of real GNP and real total domestic demand during 1984 and 1985.

"Only if the recovery in OECD economic activity proves substantially stronger than forecast would the risks of a wage-led re-acceleration of inflation appear significant over the forecast horizon," the report says.



EUROPEAN NEWS

£1bn investment
oils creaking Irish
telephone system

BY BRENDAN KEENAN IN DUBLIN

THE 200-year-old Irish Post Office will disappear on January 1, to be replaced by two state companies and postal services. The break-up follows the recommendations of a review body in 1979. The Government had become concerned that the out-of-date telephone system was hindering Ireland's efforts to attract high-technology industry.

The review body recommended a £1bn (£780m) investment programme over five years, to be managed by a new telecommunications company, BTE.

The Government accepted the recommendations and moved quickly to implement them. Some £1760m has already been spent over the past three years but three changes of government in that period meant that the awesomely complicated legislation needed was not passed until this year.

The chief executives appointed to run the new companies—Mr Tom Byrnes in BTE and Mr Tom Garvey in the postal company—have had to re-fight the battles each time a new Minister took office.

To the Irish public, the key question is when will the telephone waiting list (still two years in places) disappear. For BTE, the priority must be to re-fight the battles each time a new Minister took office.

A further £200m has still to be spent. Major suppliers so far have included M. Ericsson of Sweden and C. Alcatel of France. Irish Telecommunications Investments Limited was

established to raise funds for the development. Under the chairmanship of Mr Michael Smurfit a leading businessman, it has raised £2348m in Government-guaranteed loans and hopes to become involved in bond issues and tap institutional funds.

BTE does face some serious problems, however. With assets of £11.5bn, it has received, in Mr Byrnes's view, only half the capital equity from the Government that it would ideally need. It must take over the debts on past investment, which was often piecemeal and will remain uneconomic. There is also a history of rivalry and restrictive practices among the different union groups.

Then there is Dublin. The city is the fastest-growing in Europe, and the growth has often been haphazard. It is quietly accepted that telephones will not be readily available in some of the new areas of Dublin for the foreseeable future. BTE wants to introduce a mobile system so that those who need a telephone can have one at a price. In the long run, they would like the city planners to build the houses where the telephone lines are.

Charges, which are markedly above those in Britain, are unlikely to become much cheaper, given the costs of the investment programme and the small size of the market.

Mr Byrnes is studying ways of providing telephone services which would cost less than other services and believes such technology could be exported to other, lower-income countries.

Italian regional president
accused of embezzlement

BY ALAN FRIEDMAN IN ROME

ITALY'S month-long "casino blitz" against bankers, casino employees and local government officials accused of helping the Mafia to launder funds through gambling establishments has taken a new turn with the issue of an arrest warrant for Sig. Mario Andreone, president of the regional government of Valle d'Aosta in north-western Italy.

Sig. Andreone, a Christian Democrat, was to have appeared in Turin this week to testify about his alleged involvement in the money laundering operations at Saint Vincent, one of the four casino cities in northern Italy. Last month, special officers of the Guardia di Finanza (Fiscal Police) raided casinos in Venice, San Remo and St. Vincent, and the Italian enclave inside Swiss territory.

The Valle d'Aosta president is believed to be missing and the warrant against him, which accuses him of embezzlement, describes him as "an absconder

in form and substance." At the same time, magistrates have arrested five more people accused of having taken money from chemin-de-fer tables even before checking the figures presented by croupiers.

The latest arrests bring to around 30 the number of people detained in what the police describe as an important crackdown on Mafia money-laundering practices. Among those arrested are the mayor and deputy mayor of Campione and several senior bankers.

The investigation, which has involved more than 2,000 police officers and magistrates, may shed further light on the laundering of millions of pounds of Mafia earnings from kidnappings, drug and gambling deals. Both as major industries in Italy, as was shown again this week by the shipment of the severed ear of Giorgio Calissano, who, together with his mother Anna (heirs to the Bari jewellery fortune), is being held for ransom.

Swiss GDP
rises
slightly

By John Wicks in Zurich

THE SWISS economy has shown its first modest improvement since early 1982. Government figures point to an increase of 0.8 per cent in real terms in gross domestic product (GDP) for the third quarter of this year compared to the corresponding period of 1982. The Government report says this reflects an overall rise in demand. This was particularly marked in the case of private consumption on the domestic market, up by 2.4 per cent over last year.

At the same time, exports of goods and services recorded their first increase for more than a year—though the rise of 3.1 per cent was still well below the 5.1 per cent increase in visible and invisible imports.

The official economic studies working party expects a further gradual recovery in the coming months.

Portugal
sets rent
rise curbs

By Diana Smith in Lisbon

COMMERCIAL RENTS in Portugal will be inflation-indexed from next year under a law passed this week.

Towards the end of each year the Government will set a figure slightly below annual inflation by which landlords may increase rents annually on commercial premises. Inflation this year will top 25 per cent.

The new law replaces the former Government's freeing of commercial rents. That led to chaos: many small traders had paid as little as Esc 100 (55p) a month for decades and were then crippled by sudden rent increases of several hundred or even several thousand per cent.

Portugal's archaic domestic and commercial rent laws, allowing successive generations to inherit rented premises without paying more, have deterred landlords from keeping up buildings.

As a result, an old building collapses almost every week.

End bar on
blacks, urge
S. African
mine chiefs

By Bernard Simon in Johannesburg

LEADERS of South Africa's mining industry have urged the Government to speed the abolition of the last remaining legal obstacle to the advancement of black workers in the mines.

In their annual review, the chairman of Anglo American's four Orange Free State mines say that negotiations to scrap provisions in the Mines and Works Act reserving key skilled jobs for "scheduled persons," defined in the act as whites, have dragged on for two years. They said that "as yet there has been no significant advance on this issue. It would now seem appropriate to remove this discrimination by legislation."

The Government said in a White Paper in 1981 that it was in favour of dropping these provisions, provided employers and white trade unions could agree on measures to protect white mineworkers' job security. It said that the parties involved should try to reach a compromise within a reasonable period of time.

The ultra-conservative white Mine Workers' Union fears that by allowing blacks into jobs presently reserved for whites, it will lose its considerable (though diminishing) bargaining power over wages and other working conditions. Despite the present deep recession in South Africa, the mining industry continues to experience a shortage of skilled manpower in some categories. Among the jobs included in the "scheduled persons" provision in the Mines and Works Act are overseers, miners with blasting duties, engineers and winding engine drivers.

Blacks are gradually moving into other skilled jobs on the mines. Anglo American Mines indicated their first black apprentices this year.

Mozambique
talks unlikely
to ease tension

By a Correspondent in Johannesburg

THE HIGH-LEVEL meeting between South African and Mozambican officials held in Swaziland on Tuesday is unlikely to succeed in easing tensions between the two countries, it was thought in Johannesburg yesterday.

Mr P. Botha, the South African Foreign Minister, is expected to return to Pretoria after discussions with the Mozambicans centred on the security situation in southern Africa. Mr Botha was accompanied by General Magnus Malan, the Defence Minister, and Mr Louis Le Grange, the Minister of Law and Order. The Mozambican delegation was led by Mr Jacinto Soares Veloso, Minister of State in President Samora Machel's office.

The meeting appears to have been set up during Mr Botha's recent visit to Portugal and other European capitals, and follows mounting pressure on South Africa to curtail its increasingly overt support for the right-wing Mozambique Resistance Movement (MNR), which has caused considerable disruption to the economy.

Mozambique has shown signs recently of moving closer to the western camp, apparently in the hope of increased economic aid. South Africa is probably willing to rein in the MNR and increase commercial links with Maputo, provided it can obtain assurances of tighter Mozambican control over African National Congress (ANC) activities in Mozambique.

Judgment postponed

JUDGMENT in the treason trial of the former commander of the Simonstown naval base, Commodore John Gerhardt, and his wife has been postponed to Wednesday, December 28.



Mr Aridor (below) and the face of 'real money'



Mr Aridor (below) and the face of 'real money'

U.S. aid cut blow to Zimbabwe

BY TONY HAWKINS IN HARARE

WASHINGTON'S decision to cut its economic aid to Zimbabwe in the 1983-84 fiscal year to \$40m from the \$75m originally requested will mean further severe reductions in import quotas.

Business leaders in Harare, reacting to the State Department announcement, said they feared there would be a sharp reduction in the U.S. commodity import programme, which totalled \$59m in 1983.

The signs are that, in the next year, this programme will be cut to not much more than \$30m. The impact on the Zimbabwe economy will be compounded by the fact that, even before the U.S. decision was announced, businessmen in

The economy is being unofficially dollarised, writes David Lennon
Dollar-wise Israelis shun shekels

THE Israeli Cabinet recoiled in horror at the proposal to replace the shekel with the U.S. dollar, and the Finance Minister lost his job. But the horror does not extend to the Israeli people. If you are paying a babysitter or a cleaning woman, only an hourly rate quoted in dollars will do.

When Mr Yoram Aridor, the former Finance Minister, proposed making the dollar legal tender to wipe out shekel inflation, the Cabinet rejected the idea because politically it smacked of a loss of sovereignty, and economically it would have robbed the Government of the power to print money to cover its budget deficits.

But whether it is officially approved or not, Israel is increasingly moving over to the dollar as the only stable yardstick of value in an economy where rampant inflation daily erodes the worth of the shekel.

Although prices are now generally quoted in dollars, Israelis have to carry out the actual transaction in shekels, the only legal tender. If you don't know today's rate for the dollar, you can be sure that the babysitter or the cleaning woman will.

The current joke is that the predominantly green colour of the newly-issued 1,000 shekel banknote has finally made the "greenback" legal tender.

Anyone seeking evidence that

the dollar has become the all-pervasive measure of value has only to glance at the advertisements in any daily Hebrew newspaper. The price of a new house, a holiday abroad or even a second-hand tennis racket are all listed in dollars.

"Only \$77,000 for this lovely four-room flat," proclaims one

be quoted in dollars. In the case of property rental, it will be increased each year, also in dollars.

Most companies long ago moved into the dollar age. The President of one conglomerate told me over a year ago that there was no point in asking him anything about the cost

years, it has been increasingly common for companies to pay their senior executives salaries linked to the dollar, but generally under an unpublished private arrangement.

Now, companies are openly advertising a dollar salary, and for skilled workers as well. The dollar sign is ubiquitous among the situation vacant advertisements.

Professionals and those, like babysitters, providing services, charge almost exclusively in dollars. No dentist cites a shekel rate for his treatment and few doctors in private practice have resisted Israel's economic reality.

The Ministry of Industry and Trade says it is illegal for shops to quote their prices in dollars, but many shop windows display only dollar price tags. Those that don't, such as grocery stores and supermarkets, employ full-time staff whose sole task is to go around the shelves sticking on new price labels. Most times of peas get a new price tag each week.

The average Israeli company, institution and individual has decided that embracing the dollar is the only way to ensure price stability in any transaction. After all, who could place their faith in a "greenback" like the new 1,000 shekel note, when it lost almost 5 per cent of its value within the first two weeks of being issued?

Most companies moved into the dollar age long ago. The president of one conglomerate said more than a year ago that there was no point in asking him anything about the concern's performance in shekels. "I simply can't understand anything in shekels," he said with a dismissive wave of his hand.

advertisement. "This beautiful villa can be yours for only \$225,000," announces another.

The builders have been the leaders in the field of dollarisation, and for the past three years have been listing property prices only in dollars. More recently the car importers have followed suit.

You may have to pay in shekels, but the contract will include a clause holding you liable to any devaluation of the shekel between your first and last payments.

If you want to rent a car, a flat or an office, the price will

cern's performance in shekels. "I simply can't understand anything in shekels," he said with a dismissive wave of his hand.

A dwindling few patriots still quote the price of their second-hand cars in shekels, but if they fail to sell the vehicle, the shekel price will be increased when advertised the following week in line with its depreciation against the dollar.

The acceleration in the yearly inflation rate, now nearly 170 per cent has led to a despoiling of the phenomenon and it has spread to entirely new areas. During the past couple of

Japan poised to become
Australia's biggest investor

BY MICHAEL THOMPSON-NOEL IN SYDNEY

JAPAN looks poised to overhaul Britain as the biggest foreign investor in Australia. Yesterday's publication by the Statistics Bureau showed that Japanese investment in Australia in 1982-83 rose by 71 per cent to A\$2,676m (£1,688m). However, total capital inflow in 1982-83 was A\$80m more than in 1981-1982 at A\$9,192m.

UK investment in Australia last year totalled A\$2,781m, against A\$2,686m in 1981-82. Third was the U.S. at A\$962m (down 39 per cent), followed by the Asian bloc at A\$929m (down 46 per cent).

Japan has been a major investor in Australian resource projects and manufacturing recently, and is in any case Australia's biggest trading partner. Japanese investors have also been attracted by relatively high Australian interest rates.

Portfolio (share) investment and institutional loans by foreign interests was A\$170m higher at A\$7,436m. On Tuesday, the Labor Government in Canberra announced a relatively soft line on foreign investment policy, saying it would not require an increase (from 50 to 51 per cent) in local equity participation in key areas such as oil and gas, minerals and farming.

Mahathir reshuffles top
ranks in Malaysian forces

BY WONG SULONG IN KUALA LUMPUR

DR MAHATHIR MOHAMAD, the Malaysian Prime Minister, has reshuffled the top ranks of the armed forces in a move which will consolidate his position after his bitter constitutional confrontation with the country's Sultans.

The top three army generals, the chief of the air force and the chief of the police have either been prematurely retired or asked to go on study leave in Britain.

The new army chief is Gen Ghazali Che Mat, former director of military intelligence, who replaces Gen Zain Hasbini, known for his pro-Royalist sentiments. The new deputy army chief is Lt-Gen Hashim Mohamed Ali, who is Dr Mahathir's brother-in-law. He replaces Lt-Gen Janfar

China aims for
240,000 vehicle
output in 1984

PEKING — China has set a target for 1984 motor vehicle production of 240,000 units, Mr Li Gang, general manager of the China Automotive Industry Corporation, was quoted by the New China News Agency as saying.

Projected demand next year is 350,000 units and output restrictions imposed because of a shortage of petrol have been lifted, he said.

Actual production in the first 11 months of this year was 223,900 vehicles against forecast 1983 domestic demand of 250,000.

The annual capacity of China's 37 motor vehicle plants was put at 250,000.

Mr Li said China would focus on research and production of heavy and light-duty trucks. Reuter.

'Positive' U.S. response
to Thai F-16s request

BY CHRIS SHERWELL, SOUTH-EAST ASIA CORRESPONDENT

THE U.S. has responded "positively" to Thailand's request for 16 F-16 fighter bombers, Air Chief Marshal Siddhi Savetvita, Thailand's Foreign Minister, said today.

His remarks, made in Bangkok, followed a recent visit to the U.S. and a request to the Pentagon from the Royal Thai Air Force.

According to General Arthit Kamlang-ek, Thailand's Army chief, the aircraft are needed to counter a threat posed by Soviet-made MIG-23 fighters operating from neighbouring Vietnam. The F-16 is made by General

Dynamics of Fort Worth, and is reckoned to be one of the most potent combat aircraft yet made. It costs \$15-20m, depending on the military "extras" supplied with it.

The Thai purchase would probably be financed by a credit package under the U.S. foreign military sale programme. Deliveries would begin in 1987.

According to the Bangkok Press, the U.S. has previously turned down a Thai request for the F-16G model, which is used by the Israelis. A lower grade version—presumably the A or B series—would, therefore, probably be on offer.

Moroccan debt talks hit snags

BY FRANCIS GHILES

NEGOTIATIONS on rescheduling that part of Morocco's foreign debt which is owed to international banks, and which were expected to be concluded before the end of the year, have run into difficulties.

The 10-bank steering committee, headed by Citibank and Banque Nationale de Paris, which is negotiating on behalf of about 200 banks, has offered the Kingdom to reschedule \$482m worth of principal repayments falling due between September 1983 and December 1984 over seven years with three years' grace and with a margin over the interbank rate of 1½ per cent.

The Moroccans are holding out for a lower margin, between 1½-1½ per cent over seven years with a four-year grace period. This maturity and grace period

would coincide with the terms Morocco has obtained from the Club of Paris which, at the end of October, agreed to reschedule 85 per cent of the \$1.5bn worth of government-to-government debt owed by the North African country which falls due over the same 15-month period.

The board of the International Monetary Fund agreed to grant the Kingdom of Morocco a SDR 300m 15-month loan last September 16, following acceptance by the Moroccan Government of austerity measures which included a sharp cut in subsidies on basic foodstuff prices and a reduction in government expenditure this year and next. Of this total only SDR 30m has so far been drawn.

Meanwhile, Morocco's visible trade deficit during the first eight months of the year declined by about one quarter to \$925m. Imports declined by 8.5 per cent to just under \$2bn while exports by nearly 15 per cent to just over \$1bn.

This announcement appears as a matter of record only.

Manufacturers Hanover Leasing Corporation

is pleased to announce the

\$6,000,000

medium term financing

for

Caribbean Utilities Company Ltd.

November, 1983

New York

Helaba Frankfurt

Hessische Landesbank - Girozentrale, London Branch, wishes all its customers and friends a merry Christmas and a successful 1984.

Instead of sending Christmas cards, we have donated to The Malcolm Sargent Cancer Fund for Children.

WORLD TRADE NEWS

Airbus Industrie in plea for UK pledge on A-320

BY DAVID MARSH IN PARIS

AIRBUS INDUSTRIE yesterday launched its strongest-ever appeal for a firm British commitment to help finance the planned A-320 narrow-body Airbus.

M. Bernard Lathiere, president of the four-nation consortium, said: "It would be an asset for Britain" if the UK government did not provide backing for the project.

The call comes as UK ministers are nearing a decision—now expected for January—on whether, and by how much, to support a request for £400m launching aid for the proposed Airbus by British Aerospace, the UK shareholder in Airbus.

Chiding UK Government critics who have compared the A-320 programme with the Anglo-French Concorde project, M. Lathiere said the new plan was Europe's "last chance" in aircraft collaboration to face up to Boeing, the world's leading aircraft manufacturer. "Airbus is pressing for firm government backing for the project to enable it to be launched by early 1984, allowing the first aircraft to be delivered by spring 1988. The A-320 launch has already been held up for more than two years by the

recession in the world airline industry.

Of the three main governments involved, France is already giving wholehearted financial backing while Germany is supporting the project in principle but is waiting for UK decision before granting full cash aid.

M. Lathiere said Airbus needed the A-320 to complete its range of available aircraft and to prevent the international airline industry being "at the mercy" of one supplier.

Referring to last month's decision by the U.S. McDonnell-Douglas company to pull out of its projects to build new "high technology" airliners, M. Lathiere said: "Many airlines consider us to be the last obstacle between a normal market situation and a monopoly by Boeing."

Mrs Margaret Thatcher, the British Prime Minister, remarked in the House of Commons last month that she did not want "another Concorde" on her hands, but Mr Lathiere said she "had not been rightly informed."

M. Lathiere was in charge of the Concorde project between 1968-75.

British Aerospace wins £14m Swiss Army order

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BRITISH Aerospace's Dynamics Group, through its Bracknell Division, has won a £14m contract from the Swiss Army for provision of the computer, system software and spares for the Fargio artillery fire control system.

Fargio has been developed by BAe Bracknell, in conjunction with Zellweger Uster AG, of Switzerland, who will be prime contractor for the production phase.

The system has been specifically tailored to meet the needs of the Swiss Army, which encounters extremes of climate and terrain. Fargio will be able to carry out electronically functioned hit/miss involving laborious calculations.

The computed results are transmitted by line or radio to each gun, saving considerable time and reducing the risks of human error.

© ALLIA, the Jordanian airline, is buying the TriStar tri-jet aircraft from Lockheed of the U.S., worth over \$200m (£133m).

They are the last five TriStars that Lockheed is building. The company has already said that production will cease from next year, with 250 aircraft built.

As with the existing aircraft, the additional five will all be fitted with Rolls-Royce RB-211 engines. They will be used to carry the electronic control function, hitherto involving laborious calculations.

Soviet trade surplus with Comecon rises

By Leslie Collett in Berlin

THE SOVIET Union's cumulative trade surplus with the six other East European Comecon countries rose to 130m transferable (TR) roubles (\$17.5bn) in the first nine months of this year. This was more than double Moscow's trade surplus with its partners in all of 1980.

A report on Soviet energy supplies to Eastern Europe by the German Institute of Economic Research (DIW) says this energy-induced surplus, which it considers a Soviet credit, is the reason Moscow cut its oil deliveries to Eastern Europe by 10 per cent beginning in 1982.

Despite this drop, the increase in Soviet oil and gas prices this year caused Moscow's surplus with Eastern Europe to exceed that in all of last year by 2bn TR roubles at the end of September.

DIW says evidence indicates that a change in the formula for calculating the price of Soviet energy deliveries to Eastern Europe was made in 1981 from a sliding five-year average of world prices to a three-year sliding average.

Using the three-year formula, it notes, the average price for Soviet oil in Eastern Europe this year rose to the equivalent of \$31.72 per barrel, or 10 per cent more than the average world price.

Soviet oil will cost Eastern Europe \$183 a barrel this year and is expected to drop to \$30.67 in 1985, it says.

The Institute notes the five-year formula gave Moscow a 50 per cent gain in its terms of trade with Eastern Europe between 1975 and 1982. But it also notes indirect subsidy to the East Europeans who did have to pay Opec oil prices. It estimates gross savings to Eastern Europe in this period as 10 per cent.

The burgeoning Soviet trade surplus with Eastern Europe, which gets 78 per cent of its energy from Moscow, means that only a drastic fall in the main pillar of the institutional pillar can prevent a further drop in economic growth according to DIW.

In order to pay for its energy imports, it says, Eastern Europe will have to provide more so-called "hard" goods to the Soviet Union which it will like to export to the West.

Managua has begun its most ambitious scheme since the revolution, Tim Coone writes
Nicaragua embarks on inter-ocean railway

THE NICARAGUAN government has embarked on its most ambitious project since the 1979 revolution. It plans to build an inter-ocean railway across the country. It was just such a project, and a proposed canal, that helped bring down Nicaragua's first nationalist leader, Gen Jose Zelaya in 1909.

The reason then was that the first inter-ocean ship route, the Panama Canal was already being built by a U.S. company with U.S. finance, and a U.S.-owned railway had been operating across the Panamanian isthmus since 1905. Gen Zelaya's proposals and his opposition to U.S. involvement in building a Nicaraguan canal—and his courting of the Europeans to build it—led to his downfall when 400 U.S. Marines landed to support a dissenting general in overthrowing him.

The Sandinista Government has dusted off Gen Zelaya's plans and is now proposing to build an inter-ocean railway to link the Pacific port of Corinto with the Pacific port of Managua on the Atlantic Coast at El Bluff.

Last year, torrential rains and floods destroyed large sections of Nicaragua's aging narrow-

gauge railway system on the Pacific, and after several months of deliberations the government finally decided to rebuild the system on a standard (1,435 mm) gauge and to extend it to the Atlantic Coast. The aim is to transfer goods traffic from road to rail and shave \$20m from the country's annual \$40m oil import bill, to make further savings of \$70m annually on the country's trade which presently passes through Panama, and to earn foreign exchange from international cargo traffic using the new trans-isthmus route.

The project is expected to cost around 10 bn cordobas (\$1bn) of which around half will be spent on equipment on contracts overseas. Total length of the route, including branch lines, is 650 km and construction will begin at a rate of 50 km per year. Work on the first 20 km from Corinto to Chinandega is already under way and is expected to be completed by early 1984. The entire first stage of Corinto to Managua is due to be completed by 1987.

Sr Jose Valdivia, the head of the project Profenec (Proyecto Ferrocarril de Nicaragua) said in an exclusive interview that "the government would be well



disposed towards foreign companies interested in participating in a joint venture with Nicaragua to build the railway, considering the high cost involved and the shortage of foreign exchange that Nicaragua faces."

He added that purchasing contracts awarded on the project would most likely be tied

Nicaragua the first batch of steel rails for the Corinto-Chinandega section. The Soviet Union is providing steel for bridge construction.

Sr Valdivia said that the route will be a fully protected way, built to a design speed of 120 km/hr and equipped with modern rolling stock and signalling systems. The entire single-track route, once completed in 10 to 15 years, is also to be electrified as new hydro-electric and geothermal energy projects come on line.

Profenec has been authorised by the Government to negotiate its own loans and contracts, apparently to sidestep some of the more ponderous channels of ministerial bureaucracies.

The progress of the project's first stages have advanced rapidly under direction of 200 Nicaraguan technicians, and 50 Cuban assistants.

But given Nicaragua's own limited resources, and the departure of many Cuban advisers, a shortage of foreign capital in a recent interview that capital is likely to hamper the project.

Portugal hopes for £797m textile exports next year

BY DIANA SMITH IN LISBON

THE RENEGOTIATION of Portugal's textile export quotas with the European Economic Community and European Free Trade Association (EFTA) can mean textile exports in 1984 of £850m (£797m), according to Sr Alvaro Barreto, Trade Minister.

Sr Barreto informed representatives of Portugal's textile industry, which accounts for 42 per cent of all industrial output, that contrary to the hopes of the industry, the renegotiation of European quotas this year had gone well.

Almost two-thirds of Portugal's textile exports go to Western Europe. British manufacturers have complained about strong Portuguese exports of products such as T-shirts whose manufacturing costs are below the UK's and which sell for less than British products.

Portugal's textile industry is in a state of flux. Some

large, efficient factories with rapid market response have developed in the last decade. But many small companies with old-fashioned management and little knowledge of markets or quality control are in financial trouble. The small companies make up the bulk of the industry.

Medium-sized foreign-owned textile factories, especially Dutch and Swedish enterprises shipping their output to their homelands, appear to be enjoying booming sales of relatively high-priced quality clothing.

Many Portuguese Governments have recognised the need for reorganisation of the industry, but have shelved concrete plans successively. EEC accession, which will bring highly diversified foreign investment and division of labour, is bound to hurt the hundreds of small, under-capitalised textile concerns running on obsolete machinery.

EEC 'dumping' duty on choline chloride

By Paul Cheswright in Brussels

THE EUROPEAN Commission yesterday imposed a provisional anti-dumping duty for four months on sales of choline chloride used in animal feed, from Romania and East Germany.

The rate of duty is 27 per cent for East Germany and 17 per cent for Romania. The level of the duty was settled by comparing the import prices with the production costs in the EEC.

A complaint about low-priced sales of choline chloride was brought by the Council of Chemical Manufacturers Associations last April in line with the general policy of vigorous pressure against anything hinting at unfair trading practices.

The European Commission found dumping margins of 77 per cent on the East German sales and 41 per cent on the Romanian sales. The market share of the two countries went up from 19 to 25 per cent between 1980 and 1982.

Singapore companies to process Indonesian crude

BY CHRIS SHERWELL IN SINGAPORE

SINGAPORE'S oil-refining companies expect to process sizable quantities of Indonesian crude in the first quarter of 1984, contrary to earlier fears that the trade would dry up altogether with the expansion of refineries in Indonesia.

The news represents a boost for Singapore, whose rated refining capacity of 1.1m barrels a day makes it the third-largest refining centre in the world after Houston and Rotterdam.

Exact amounts of Indonesian crude likely to be processed remain uncertain, and could be less than the estimated 70,000-100,000 b/d handled in the fourth quarter of 1983. It is thought that Indonesia may also be wanting to negotiate on a month-to-month basis rather than quarter-to-quarter.

Singapore's five refineries have been running below capacity this year because of a slack international market, and Shell, which runs by far the biggest operation, warned as early as last February that it expected

to mothball plant because of new capacity coming on stream in other South-East Asian countries.

Indonesian business has run as high as 150,000-200,000 b/d in the past, but was expected to stop altogether with a doubling of capacity to 400,000 b/d of refineries at Cilacap and Balikpapan. A third is also being expanded as part of an Indonesian self-sufficiency drive.

However, both refineries had to be shut down earlier this month, apparently because the new facilities were run up to capacity too quickly.

Refined oil products destined for the domestic market rather than export market were affected by the shut-down, to the limit because demand at home remained slack.

Oil companies see the maintenance of refining trade with Singapore as a pragmatic move to avoid a repeat of this experience. Last year, processing at the two Indonesian refineries resumed shortly.

AMERICAN NEWS

IMF suggests less ambitious borrowing plan to Grenada

BY HUGH O'SHAUGHNESSY, RECENTLY IN ST GEORGE'S, GRENADA

THE INTERNATIONAL Monetary Fund has suggested to the island administration in Grenada that the \$14.1m extended fund facility granted to the government of the late Prime Minister Maurice Bishop in August and suspended by the IMF after the U.S. invasion should be replaced by a smaller loan.

The extended fund facility, disbursement of which was suspended by the IMF at the beginning of the month amid protests from the Grenadians, was due to be paid in equal tranches over a three-year period. The IMF now wants it replaced by a less ambitious borrowing programme that would take into account the assistance that Sir Paul Scoon's administration is receiving from the U.S. and other govern-

ments. Washington has pledged \$15m in new aid.

In any event, the IMF has made plain, Grenada could expect no more money from it until April next year.

During the four and a half years that Prime Minister Bishop's government ruled Grenada, the island received an average of some \$30m a year.

Donors included Cuba, the Soviet Union, Britain, Libya and other Arab and Soviet bloc countries. In successive managements, the World Bank praised the economic strategies being pursued by the revolution, though it called on Mr Bishop to give more support to the private sector.

\$4m bond for Chile murder

NEW YORK — A federal judge on Tuesday ordered Chile's national airline to secure a \$4m bond to cover the money the Chilean Government owes for arranging the car-bomb murder of its former U.S. ambassador, Sr Orlando Letelier.

Judge Morris E. Lasker ordered that Lan-Chile Airlines, which he said transported the bomb materials, be put in receivership if it fails to secure a bond by December 27.

The receiver in charge of the airline would be Mr Michael Moffitt, who survived the attack that killed his wife, Mrs Romi Moffitt and Sr Letelier. Mrs

The bond would assure that Sr Letelier's family and Mr Moffitt could collect if the award is upheld on appeal.

The Letelier and Moffitt families won \$2.9m from Chile in 1981 in a suit charging the Chilean intelligence agency ordered the September 1976 slaying in Washington. They say that with interest, they are now owed \$4m.

The Chileans would not pay, contending they are immune from foreign lawsuits. Lan-Chile has indicated it will appeal. It maintains it is separate from the Chilean Government AP

What went wrong with the 'Brazilian Boom'?

The recently published Management Report THE INTERNATIONAL FINANCIAL CRISIS: LESSONS OF THE BRAZILIAN CRISIS, is the most extensive report yet produced on the implications of the Brazilian problem.

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William Chislett meets a trade union leader whose power extends into the Government
Don Fidel, a monument to Mexican unity

"UNITY is saving Mexico from disaster," says Sr Fidel Velazquez, the 83-year-old king of the country's trade union movement. Don Fidel, as he is reverentially called, is himself regarded as the main unifying factor which has held Mexico together and allowed the country, until its present crisis, to enjoy a long period of high and sustained economic growth.

Mexican presidents come and go, but Don Fidel, head of the Confederation of Mexican Workers (CTM), which groups over half the 7m unionised workers out of a total labour force of 20.6m, has survived seven presidents. The CTM is the main pillar of the Institutional Revolutionary Party (PRI) which has governed Mexico for 54 years.

Mexicans joke that Don Fidel is immortal. It is a national pastime, trying to work out when he will retire, and he has already been commemorated with a statue.

Outside his office in the new five-storey CTM building, well-dressed, quietly trade union leaders speak in hushed tones while they wait, sometimes for hours, to see him. A PRI state governor is whisked through the group as soon as he arrives, and Don Fidel's office five minutes later.

No visit to Mexico City is politically worthwhile without a courtesy call on Don Fidel.

Unity runs like a theme through his conversation. He wears tailor-made pinstripes and puffs a fat cigar. While he talks, his eyes hardly move behind his tinted glasses.

"We have to be very careful that our differences with the Government do not divide us," he says, admitting that it has not been easy to persuade workers to tighten their belts and take a large drop in purchasing power, to help solve Mexico's serious debt crisis.

Without the CTM's support, the Government could not implement its stabilisation programme with the International Monetary Fund. "The situation is getting worse day by day and we do not know for how much longer we can maintain social peace," Don Fidel says.

The union leader was 10 years old during the bloody anarchy of the 1910 Mexican revolution, in which 1m people were killed. He began work as a milk roundsman and in 1923 headed the milk industry's union. After the PRI was founded in 1929, he attempted to create institutional channels to solve the disputes between warring factions. He was instrumental in forming the party's labour sector and in 1932 he became a peasant and middle class wings.

The CTM has started discussions with the Government over the wage increase for 1984, which will be announced on January 3. He declined to discuss the size of the increase because "we have learned from experience that as soon as we mentioned a figure, companies put up their prices and then do so again after the increase is granted."



Don Fidel Velazquez, commemorated with a statue

It is understood that wages will rise in line with next year's projected rate of inflation of 40 per cent, but there will be no reduction of the 25 per cent decline in real wages this year.

Unorganised workers, however, unlike the impoverished army of unemployed and underemployed are cushioned by cheap Govern-

ment housing and free medical care.

Don Fidel has long been campaigning in vain for the establishment of benefits for the unemployed and a 40-hour week, which he says would increase full time employment by 18 per cent. "Now more than ever these things are needed." The economy was no longer creating the 700,000 new jobs needed to satisfy entrants to the labour market.

The fierce competition for jobs is having a moderating influence on union demands. The Left accuses Don Fidel of having sold out to the Government and of allowing a corrupt aristocracy of union leaders to be in league with the private sector. Businessmen admit that they pay union leaders to "control" their members.

Don Fidel himself has a clean reputation, which may explain his popularity. It is said that he used personally to visit his bank every month to pay off a loan he had obtained to buy a piece of land on which to build a house. "Most union leaders are so rich they can pay for anything straight off," said an observer.

Don Fidel has no time for the Left, whom he accuses of being dogmatic. "We Mexicans know how people live in socialist countries where all freedom has been crushed and people are subjected to the

whims of plutocrats."

He is more concerned about the recent gains in municipal elections by the Right wing National Action Party (PAN) than any threat posed by the United Socialist Party of Mexico. The PRI, he said, needed more internal democracy and better candidates in order to reform itself and regain people's confidence.

He criticised state governors and influential public officials for designating candidates over the head of the PRI and imposing them in the party's middle class and peasant wings. This was causing a lot of bad feeling and was losing the PRI votes.

Don Fidel laughed at the widespread fears expressed by Mexican and foreign businessmen that when he leaves the CTM there will be a Left wing split in the movement and inter-union rivalry which could split the organisation. He has left no known successor and all his lieutenants are well over retirement age. The younger generation of official union leaders is more radical.

"These fears are unfounded. One day I have to retire. I cannot think of running the CTM in ten years' time. Workers are conscious of the need for unity and to maintain their relationship with the Government. Only in this way can Mexico continue to grow."

Reagan pledges further support for Salvador

WASHINGTON — President Reagan has pledged to continue U.S. support for the Salvadoran Government's attempt to establish democracy.

In a televised news conference on Tuesday night, he also said El Salvador had stepped up its efforts to contain Right-wing death squads.

Mr Reagan said Mr George Bush, U.S. Vice-President, had delivered a message from him to Salvadoran officials earlier this month stressing the importance of controlling the death squads, blamed for killing thousands of people in El Salvador's civil war.

"They (the Salvadoran Government) are being assailed by radicals from both sides," the President said.

Reuter

Mexico stands by debt accord

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

MEXICO has reaffirmed its intention of sticking by the terms of rescheduling agreements for its public sector debt negotiated in principle a year ago.

The reaffirmation follows press reports in the U.S. that Mexico had asked its creditor banks, with the backing of Federal Reserve Governor Paul Volcker, to reopen the agreements and renegotiate them on favourable terms.

However, Mexico signed a further set of agreements covering \$323.5m (£228m) in debt falling due this year and next at 11 public sector entities.

"The 11 agreements confirm again the commitment of Mexico to reschedule its public sector debt on the basis of restructuring principles telaxed to international banks in December of 1982," a Finance Ministry

spokesman said after the signing.

The new agreements cover the debt of industrial affiliates of the Somex financial agency. They bring to \$23bn the total rescheduling agreements signed so far which is 98 per cent of the debt subject to rescheduling.

Separate talks were continuing in New York yesterday between Mexican officials and leading bank creditors over terms of a \$4bn loan to be arranged for Mexico to cover its 1984 financing needs. Bankers denied that Mexico had sought to reopen the rescheduling agreements at the talks but the high interest margins being charged on the rescheduling were brought up in the discussions.

● Cuba is due to sign in Paris today an agreement on re-

scheduling payments due in 1983 to around 150 commercial bank creditors in the West, writes David Marsh in Paris.

The agreement, with a group of banks led by Credit Lyonnais, covers roughly \$180m in debt payments on medium-term loans which should have been made to banks between September 1982 and Havana halted repayments—and the end of this year.

Additionally, the banks have agreed to continue to extend into 1984 about \$270m in short-term credits to the Cuban Government.

The accord was hammered out in principle in meetings between the banks and the Cuban Government this spring. But the signing has been held up by months of legal difficulties.

Airline breaks off talks with striking pilots

HOUSTON — Continental Airlines has broken off negotiations with striking pilots because of a demand by the union that the airline replace working pilots with returning strikers.

Representatives of the Airline Pilots Association and company officials had been meeting in Los Angeles. Continental said the talks had been making progress until the pilots' latest demand.

The airline claims the union is asking it to break the law. It said the Supreme Court had ruled in the case of another company that permanent employees hired to replace strikers and later fired to make room for returning strikers could sue for damages.

AP-DJ

Montonero leaders return from exile

By David Wicks in Buenos Aires

TWO FORMER Peronist provincial governors who spent the last seven years in exile as heads of the outlawed Montonero terrorist group returned to Buenos Aires late on Tuesday from Brazil to announce the dissolution of their organisation.

One of them, Sr Ricardo Obregon Cano, the former Cordoba Province Governor, was promptly arrested by airport police.

The other Montonero leader, Sr Oscar Bidegain, was received at Ezeiza International Airport by about 500 Peronist youth supporters beating drums and chanting: "The blood that was spilled will never be negotiated."

Sr. Bidegain, Governor of Buenos Aires Province under the Peronist Government of 1973, said the movement was being dissolved due to what he called "the defeat of the oligo-military regime," a reference to the military government which relinquished power on December 10.

He said the Montoneros organisation will be replaced by the "authentic Peronist party," with the deceased Eva Peron as its spiritual leader.

The Montoneros began in the late 1960s as a right-wing Catholic nationalist faction of the Peronist Party.

They later turned to the left and gained notoriety in the early 1970s by kidnapping senior military officers and business executives.

Former President General Juan Peron encouraged the Montoneros when they worked for his return from exile in Spain, but later disavowed the group in 1974 shortly before he died.

The Montonero leaders not killed by the armed forces during a bloody campaign against them. Left following the 1978 military coup have been living in exile.

Their return has caused widespread apprehension. Many Argentines see the organisation as part of the past that they never wish to see repeated. They blame the Montoneros for the military's role in the 1976 coup.

Last week President Alfonsin issued a decree ordering the indictment of four Montonero leaders on charges of murder and incitement to violence.

THE ARTS

Record review

Operas off the beaten track

Lully: Armide. Rachel Yakar, Zeger Vandersteele, Ulrich Cold, Ulrich Studer, etc./Ensemble vocal et instrumental de la Chapelle Royale/Philippe Herreweghe. Erato STU 715302 (two records).

Gluck: Armide. Felicity Palmer, Anthony Rolfe Johnson, Raimund Hermin, Linda Finnie, etc./Richard Hickox Singers, City of London Sinfonia/Richard Hickox. HMV SLS 107753 (three records), also on cassette.

100 Years of Italian Opera. Vol. 1, 1800-1810. Eiddwen Harry, Sandra Dugdale, Yvonne Keony, Della Jones, Diana Montague, Keith Lewis, Russell Smythe, Roderick Earle, etc./Philharmonia/David Parry. Opera Rara ORH 101 (three records).

Verdi: Ernani. Plácido Domingo, Mirella Freni, Renato Bruson, Nicolai Ghiaurov, etc./Orchestra and chorus of La Scala/Riccardo Muti. HMV SLS 1435843 (three records), also on cassette.

Bolton: Nerone. János B. Nagy, Ilona Tokody, Lajos Miller, Klára Takács, József Dees, etc./Hungarian RTV Chorus and State Opera Orchestra/Evő Queller. Hungaroton SLPD 13487-9 (three records), also on cassette.

Alwyn's Miss Julie along with Benjamin Luxon, Della Jones, John Mitchinson/Philharmonia/Vivian Trusky. Lyrita SFRCS 121-2 (two records).

By strange but pleasing coincidence, two companies have simultaneously released recordings that shed light on one of the curiosities of opera history.

Special Occasions/Ambassadors

B. A. Young

Bernard Slade knows when he is on to a good thing. He had a success with *Some Time Next Year*, and followed it up with *Romantic Comedy*. (I never saw *Tribute*, which came between them, so I won't say anything about that.) But now he has written *Some Time Next Year* and *Romantic Comedy* again, under the title *Special Occasions*, and has come to London to direct it himself.

Of course the details are different in these three plays, but the theme is the same—a chart of the ups and downs of a long period of marriage and non-marriage. In *Special Occasions* we only meet two characters, Michael and Amy. They are about to divorce in the first scene, and about to remarry in the last (of a dozen).

Michael (John Alderton) is a playwright who has just been sacked from a television stint and is going to write for the stage. Amy (Jan Waters) is at that point a foul-mouthed alcoholic, but nice enough in other respects. They are celebrating their 15th wedding anniversary before their divorce. Offstage, they have three children.

Amy improves after the shock of going to the bank funeral when she should have been at her mother-in-law's. Michael, with a play about to open, has a girlfriend called Vanessa; but on Christmas Eve he turns up at the party Amy is about to give for the children, and intimacy takes place, Vanessa having given him the check.

Another wedding opens the second act—Amy's to Ira, her lawyer. (The play has been Anglicised for this production, but it is odd to see a divorced woman preparing for a full white wedding.) Michael comes to her room as she is dressing for the ceremony and employs an attack of back-trouble to go into another clinch. But the marriage to Ira prospers, for a time, and atten-



John Alderton and Jan Waters

tion moves to the next generation. Kelly, the youngest child, has an illegitimate son, and Michael shows an unexpected grandfatherly affection. Amy, however, confesses that she is sleeping around. Next, Stephen, the eldest, is hurt in a car accident; Michael is more grandfatherly than ever, except to look at; but Amy, efficient though she is, grows increasingly hard. Then Kelly marries someone we don't know, Bob, and Stephen, recovered and revealed (to his father anyway) as a writing genius, is best man, while Jennifer, the middle

child, plays the organ. What could possibly happen then but a remarriage?

Amy remarked of Julie, Michael's first girlfriend, that "everything she said seemed to have quotation marks round it," and the same thing goes for Mr Slade. What we have here is a succession of elementary emotional situations, dealt with by ready-made dialogue. They could go on for ever. Lovers of magazine fiction will laugh and cry like mad, I expect. I found myself absolutely unmoved by the whole evening. In spite of my liking for both the players,

Opera Rara's latest exploit is the inauguration of a project exploring the byways of 19th century Italian opera. If this first instalment (of a planned

10) is typical, the complete issue will become one of the shining deeds of opera recording in the 1980s. The first decade fills in the background to the emergent Rossini, and demonstrates the survival in new guises of opera seria and buffa. It is not just library-shelf material: Mayr, Winter, and Paer in the serious excerpts and Mosca and Fioravanti in the comic open the door to a world of hardly-guessed vitality. The singing, by familiar local names, does very nicely even where it lacks the last degree of Italianate brilliance. Available from 25, Compton Terrace, London, N1 (E16), the album deserves wider circulation.

The third complete recording of *Ernani* (taken "live" from La Scala last year, in a performance also recently televised) is the Verdi reading of Muti's that comes nearest so far to fulfilling the requirements of Verdi style. It is less driven, more "breathed" than the first given on Radio 3 by the conductor and three of the four excellent principals of the Lyrita. Good that it has been recorded; strange that it has not yet been staged. A well-ordered world there ought to be space available, between masterpieces, for "Aunt Edna" operas like *Miss Julie*.

MAX LOPPERT

Ravel-Varèse Festival

Max Loppert

The second instalment, on Tuesday, of this brilliant exercise in fresh illumination through fresh programming, was given by the BBC Symphony at the Festival Hall under David Atherton. It was an immensely enjoyable but also immensely unsettling concert, for while the three of the four Ravel works in it are normally, and singly, regarded as popular orchestral showpieces, the juxtaposition with each other and with Varèse's *American* worked a remarkable shift of emphasis. Each of the Ravel contributions (even, though to the smallest degree, *Rhapsodie espagnole*) insinuated a vision of nightmare, which Varèse's first mature composition then brought out terrifyingly into the open.

"O my America! my new-found land!" might be the subtitle of *American*, which makes strong sense. It seemed after this shattering performance of it, immaculately built and sustained with implacable drive and determination through every climax to the last, indeed, to be counted Varèse's masterpiece. The America of the composer's recent first experience fuels the America of his imagination—a symbol (so he insisted) of disordered physical and spiritual forces, a New World (with its frenzied and densely patterned

outbursts of mechanistic clangour) in conflict with the Old, a vision of modernity at once liberating and ordered, that is as significant (and still modern-sounding) as anything in 20th century music.

Mr Atherton, quite clearly a Varèse interpreter of the front rank, showed once again a somewhat less certain command of Ravel; yet on this occasion, unlike the festival opening last week, each score revealed scrupulous fresh consideration, and paid commensurate rewards. The ear-focussing quiet playing of much of the *Rhapsodie* was an example, so too the acute layering of crepuscular low sounds—which seem to evoke the commencement, faint yet menacing, of a dream—out of which the main subjects of both *Le Violon* and the *Piano Concerto* for the left hand are gradually unfolded.

The concerto soloist, not fully virtuosic but full of convinced ideas, was Paul Crossley (a pity he was forced to perform on an instrument with so twangy and ill-voiced a bass register). Likewise, Mr Atherton's control over *Boléro* was firm but not inevitable (with playing less assured than elsewhere); in the same one was left in no doubt of a vision of mechanised mindlessness quite as compelling and disturbing in its way as anything in Varèse.

Glyndebourne deputy is appointed

Gus Mostart has been appointed as deputy to Sir Peter Hall at Glyndebourne, with effect from January 1 1984.

As deputy to the artistic director, Gus Mostart's position will be similar on the production side to Martin Loppert, who has worked at Glyndebourne since 1977, assisting Sir Peter on four productions (*Fidelio*, *Così fan tutte*, *A Midsummer Night's Dream* and *Orfeo ed Euridice*), preparing reviews of productions and directing them for Glyndebourne Touring Opera.

Glyndebourne Touring Opera, a company has been set up since 1980. He has worked at Glyndebourne since 1977, assisting Sir Peter on four productions (*Fidelio*, *Così fan tutte*, *A Midsummer Night's Dream* and *Orfeo ed Euridice*), preparing reviews of productions and directing them for Glyndebourne Touring Opera.

Arts Guide

WEST GERMANY

Hanover. Wilhelm Busch Museum, 1 Georgengarten. The first view of the roving exhibition with 176 etchings and lithographs by George Grosz, the British cartoonist. Ends Jan 6.

Bonn. Rheinisches Landesmuseum. The most comprehensive exhibition of contemporary U.S. art ever shown in West Germany. It features works from the 1970s and 1980s by nearly 50 artists representing such styles as pattern and decoration, new image, new wave, new expressionism and graffiti. Ends Jan 15.

Berlin. Martin Gropius Bau, 119 Sternstrasse. The Federation of West German Artists is showing the work of 300 contemporary painters to document artistic trends. Ends Jan 8.

Hamburg. Kunsthalle, Glockengieässenwall. Luther And The Consequences for The Fine Arts has 540 graphics and paintings from the Reformation to today illustrating the great reformer's impact on many areas. Ends Jan 8.

Hamburg. Kunsthalle, Glockengieässenwall. More than 120 drawings, water colours and gouaches from between 1910 and 1959 by Fernand Léger. Ends Jan 1.

Frankfurt. Städt. 83, Schaumannskai. The centenary of Max Beckmann, the outstanding German expressionist, is marked by 180 works from 1915 to 1953. Ends Feb 2.

Baden-Baden. Staatliche Kunsthalle, 8a Lichtenstaler Allee. 20th century art including paintings and sculpture by Mondrian, Miró and Buisson. Ends Jan 6.

Munich. Alexander Museum, 23 Museumsplatz. American Folk Art has 200 paintings, drawings, textiles, ceramics and sculptures from the 18th century to date by U.S. artists. Ends January 15.

Paris. Three exhibitions pay homage to the great Renaissance painter—born 500 years ago. The Grand Palais, presents, for the first time, most of the paintings and drawings from French museums, among them Le Petit Saint Georges, La Belle Jardinière and Balzac's Castiglione's portrait. Another exhibition shows Raphael's influence on French art from the 16th century to the present Grand Palais (2615410). Closed Tue, Wed late closing. Ends Feb 13.

Paris. The Louvre completes the anniversary celebrations with an exhibition of the most brilliant of Raphael's collaborators, among them Giulio Romano, and of his disciples, Louvre, Cabinet Des Dessins (2603526). Closed Tue. Ends end of Feb.

Balbus. In collaboration with the Metropolitan Museum 60 paintings and as many drawings are shown in the secretive painter's first retrospective revealing a universe peopled with adolescent girls and cats in an atmosphere of troubling incandescence. Centre Georges Pompidou. Closed Tue. Ends Jan 23 (271233).

Cybele. Art from the N. and D. Goudal Collection—more than 200 remarkable items dating from the

third century B.C. are being shown at the Grand Palais before returning—definitely—to Athens. Grand Palais (ends Jan 9). Closed Tue, Wed late closing night 10 pm (2615410).

LONDON. The Hayward Gallery: Royal Delft—a time recorder that this here of countless chocolate boxes and post cards, the acceptable face of modern art, was not only a significant painter, a follower but so slave of Matisse, who later developed into a decorative artist of the first importance. His elegantly perfunctory notation, and his characteristic imagery—white sails in the bay, palm trees below the balcony, bright silks against the apple green of the racecourse, have been taken up and broadcast endlessly by lesser talents. His fabric designs and tapestries are especially remarkable in a beautiful and necessary exhibition. Ends Feb 5.

The Hayward Gallery: Hockney's Photographs—a brisk survey of Hockney's practical use of the camera from simple reference and side interest to photographic exercises. This latter aspect developed slowly but has speeded considerably in the past 18 months. The composite photographic image is no longer just a simple still life or portrait study, but a strange and intriguing image of an event, a sequence of action, a passage of time. Ends Feb 5.

Royal Academy: The Genius of Venice—we are treated to a show in the grand old manner of the Royal Academy's Winter Exhibitions. It



Ron Moody as Fagin: brought most of the house down

Oliver!/Aldwych

Nigel Andrews

In the tiny pattern of great British musicals, *Oliver!* must teeter near the top. Distilling the melodrama and sentiment from a Dickens novel rich in both, Lionel Bart adds a dash of comedy all (or mostly) his own, plus tuneful songs which grow easily out of the set-piece style of the Dickens narrative.

In performance, the turning world of Victorian London is brought to life in a place where Dickens's hunched, small-world coincidences (fancy Mr Brownlow turning out to be Oliver's rich relation) jostle with the sudden blood and thunder ("Ah-ha, caught you, me boy!") of more unwelcome reunions.

And if Dickens didn't have Ron Moody in mind when he created Fagin, whom did he have? Moody has eyes like live coals, twitching hands and tapping feet, electrified beard and hair, and a voice that can purr, whine or thunder accord-

ing to choice. His "Pick a pocket or two" brought most of the house down, and his "Reviewing the situation" brought down the rest.

Nancy and Sikes are the two blood-curdlers held in reserve by Bart whenever the musical threatens to become too sweet. Linal Hat's Sikes has clearly been to the Richard Harris voice training school, speaking through a filter of hoarse gravel; but he can also thunder when he chooses. Jackie Marks is a burlesque, spitfire Nancy. Her voice could be more melodic, but it rings out with fine chesty power at the climax of "As long as he needs me."

Of the other grown-ups Peter Bayliss is best. With his self-important sibilants and golden gasps, Bayliss makes the Beadle a glorious unwieldy bundle of pretension. His Scene Two dialogue with Mrs Johnson's tart Mrs Corney, a harpy who would certainly clean round all his corners, is the comic delight of the evening. The audience took a special shine to his comment on her much-cuffed cat: "Hm—interesting breed—flat-headed."

The title role makes night-impossible demands—angelic looks and air of pitiable innocence, plus a voice that can hit the back of the gallery. Anthony Pearson's Oliver looks right and acts perkily, but the voice needs more oomph. David Garlick's Artful Dodger is a delightful thief's-kitchen dandy, forever shooting his threepence merrily for want of cuffs or walking with metronomic cockiness, thumbs in waistcoat. Marsha Bland's strongly sung Bert also deserves a plaudit: she can hit the back of the gallery.

Peter Carr's production is well-oiled and action-packed, though it takes time to warm up. The London Bridge climax and the all-star finale both pack a vigorous punch; and at curtain call the players were bullied into several encores.

Nightshoot/Tricycle

Martin Hoyle

There is undoubtedly a black comedy to be written about a nuclear crisis set in a bunker peopled by a power-mad military American, a cynical TV director and a pair of stray innocents from pop music. This is not it. *Nightshoot* is a post-disaster media world churning out palliatives is depicted in strip-cartoon terms, but without the wit. Laboriously contrived twists to the broken-backed plot fail to distinguish the author's uncertainty as to how seriously to take his characters: when Hazel O'Connor, learning of a radioactive London, laments her mum and her world, it is too little too late.

Not in continuity aided by Miss O'Connor giving vent to chestily throbbing ballads at crucial points. The voice is intense but not always intelligible. When the caricature villainous Hank (Strangely enough did it better) immolates her with "new nerve gas—it saves a lot of yelling," one sees his point.

At times a note of genuine cataclysmic humour is essayed, as when the post-nuclear air "smells of a million Sunday roasts" or "40,000 people sucking pear drops"; but I suspect there is little about this naïf in view of such subsequent embourgeoisement as a shocked victim lapsing into Sixties flower-child jargon. Dig? Alas, I do.

Lacking motivation, Robert Longden's alcoholic media man taps a vein so idiosyncratic as to verge on the loop. But he provides the evening's main interest despite the odd



Hazel O'Connor

desperate recourse to his own gags. Not even he can redeem Ken Cnubb's messy direction—nor since the school play have I seen so much masking—of a clumsy piece. Jacqueline Tong and Dave Scott, Reithian ethos

v Sunday supp opportunism, do well as an improbable television crew. The evening ends with a portentous duet led by Miss O'Connor, at whose time age public this play is presumably aimed.

BASE LENDING RATES

A.B.N. Bank	9 1/2	Hambros Bank	9 1/2
Allied Irish Bank	9 1/2	Heritable & Gen. Trust	9 1/2
Amro Bank	9 1/2	Hill Samuel	9 1/2
Henry Ansbacher	9 1/2	Hongkong & Shanghai	9 1/2
Arbuthnot Ltd.	9 1/2	Kingscourt Trust Ltd.	10
Arnsco Trust Ltd.	9 1/2	Kooresley & Co. Ltd.	9 1/2
Associates Cap. Corp.	9 1/2	Lloyds Bank	9 1/2
Banco de Bilbao	9 1/2	Mallinham Limited	9 1/2
Bank Hapoalim BM	9 1/2	Edward Manson & Co.	10
BCCI	9 1/2	Meghraj and Sons Ltd.	9 1/2
Bank of Ireland	9 1/2	Midland Bank	9 1/2
Bank Leumi (UK) plc	9 1/2	National Bk. of Kuwait	9 1/2
Bank of Scotland	9 1/2	Natsoal Girobank	9 1/2
Banque Belge Ltd.	9 1/2	National Westminster	9 1/2
Banque du Rhone	10	Norwich Gen. Trst.	9 1/2
Barclays Bank	9 1/2	R. Raphael & Sons	9 1/2
Beaufort Trust Ltd.	10 1/2	P. S. Refson & Co.	9 1/2
Brenar Holdings Ltd.	9 1/2	Roxburgh Guarantee	9 1/2
Brit. Bank of Mid. East	9 1/2	Royal Trust Co. Canada	9 1/2
Brown Shipley	9 1/2	Standard Chartered	9 1/2
CL Bank Nederland	9 1/2	Trade Dev. Bank	9 1/2
Canada Perm't Trust	10 1/2	TCB	9 1/2
Castle Court Trust Ltd.	9 1/2	Trustee Savings Bank	9 1/2
Cayzer Ltd.	9 1/2	United Bank of Kuwait	9 1/2
Cedar Holdings	9 1/2	United Mizrahi Bank	9 1/2
Charterhouse Japhet	9 1/2	Volkskas Intl. Ltd.	9 1/2
Chumalorona	10 1/2	Westpac Banking Corp.	9 1/2
Citibank Savings	10 1/2	Whiteaway Ltd.	9 1/2
Clydesdale Bank	9 1/2	Williams & Glyn's	9 1/2
C. E. Coates	9 1/2	Winturst Secs. Ltd.	9 1/2
Comm. Bk. of N. East	9 1/2	Yorkshire Bank	9 1/2
Consolidated Credits	9 1/2		
Co-operative Bank	9 1/2		
The Cyprus Popular Bk.	9 1/2		
Dunbar & Co. Ltd.	9 1/2		
Duncan Lawrie	9 1/2		
E. T. Trust	9 1/2		
Exeter Trust Ltd.	10 1/2		
First Nat. Secs. Ltd.	10 1/2		
First Nat. Secs. Ltd.	10 1/2		
Robert Fraser	10 1/2		
Goulds Bank	9 1/2		
Guinness Mahon	9 1/2		

7-day deposits 5.5%, 1-month 6%, 3-month 6.5%, 6-month 7%, 12-month 7.5%. Short-term 25,000/12 months 8.1%.

7-day deposits on sums of: under £50,000 5.5%, £50,000 to £100,000 6%, £100,000 and over 7.5%.

Call deposits £1,000 and over 9.5%.

21-day deposits over £1,000 9.5%.

Demanded deposits 5.5%.

Mortgage base rate.

Musical/Monday, Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

December 16-22

— a reminder that long before its present troubles, Ireland had its Golden Age and was the last repository of Western art and learning to fall to the Vikings.

One hundred paintings by modern Dutch artists at the Stedelijk Museum, Amsterdam. Until Jan 8.

NEW YORK. Metropolitan Museum of Art: 75 works from the 20th century collection of Baron Thyssen-Bornemisza will include 10 of his latest acquisitions. Featured in the show will be works by Kandinsky, Picasso, Geric, Dali, Bacon, Freud and Rothko. The recent acquisitions are works by Georgia O'Keeffe, Balbus, Mondrian, Picasso and Natalia Goncharova. Ends Nov 27.

Center Sculpture Center: Set against a spectacular view of New York, also the World Trade Tower, 33 Rodin sculptures are displayed in the enlargements and reductions carried out by Rodin collaborator and reproducer Henri Lebertre. One World Trade Center, 10th story.

Museum (Metropolitan Museum of Art): Almost 200 important paintings marking the 100th anniversary of the artist's death are included in the most comprehensive Monet exhibition for nearly a century. Ends Nov 27.

National Gallery: Art of Aztec Mexico combines works confiscated during the Spanish conquest of 1521 with the unearthing in 1978 of the Great Temple of Tenochtitlan, capital of

the Aztec empire, in central Mexico City. The most comprehensive Aztec art exhibit ever mounted in America reflects the religion that sustained the Aztec culture, with gods personified as deities and human sacrifices that had to be repeated by man in order to keep the cosmos working. Ends Jan 8, 1984.

National Museum: 128 works by 64 European artists. American 20th century artists illustrate the contemporary scene of Dreams and Nightmares for Society. Timed to usher in Orwell's dreaded 1984, the exhibit runs the gamut of artists from Russian constructivist with their misaligned dreams to a large sampling of American and German artists affected by the century's wars. Ends Feb 12.

National Museum: National History: The Precious Legacy contains 350 secular and religious Jewish objects the Nazis preserved in Caschobolska, a "Museum of an extinct race," covering five centuries of gold, portraits, medals and other items from the collection of the State Jewish Museum in Prague. Ends Dec 31.

CHICAGO. Museum of Contemporary Art: 46 paintings of Suprematist Malchuk Morley trace the British-born painter's style from its origins in abstract works through Pop art to the ocean liner based on postcards that show the painter's influence of his self-styled Suprematism. Organized originally by the Whitechapel Gallery in London, the show includes recent pastoral landscapes with beach scenes and animals. Ends Jan 27.

WASHINGTON. National Gallery: Art of Aztec Mexico combines works confiscated during the Spanish conquest of 1521 with the unearthing in 1978 of the Great Temple of Tenochtitlan, capital of

FINANCIAL TIMES REPORT

Business starts to grow again

By DAVID BUCHAN, East Europe Correspondent

TRADE BETWEEN East and West has been kicked around as a political football—directly by the Reagan Administration strongly opposing certain technology and energy aspects of it, indirectly by the Kremlin urging its Comecon partners to trade more among themselves and by inference less with the West.

But there is plenty of air left in the football. Member countries of the Organisation for Economic Co-operation and Development in the West and of Comecon in the East still exchange more than \$70bn in merchandise a year. This is nearly \$10bn below the 1980 peak. But business is on the increase again.

In the first half of this year Soviet exports to the industrialised West rose in volume by 4 per cent, after 10 per cent growth last year, and exports of the six East European countries in Comecon increased 4 per cent after three successive years of decline.

Western exports to the Soviet Union rose a further 1 per cent after their 6 per cent gain in 1982. Western deliveries to Eastern Europe continued to decline in the first six months of 1983, but at a 7 per cent rate instead of the 16 per cent fall last year.

Overall, Western trade with the East this year has been somewhat more dynamic than with the rest of the world.

East-West commerce, at a fairly high volume, seems to have a way of surviving the slings and arrows of politicians. Natural complementarities exist between the mineral and energy rich Soviet Union and raw material short Western Europe and Japan, and between food-short Comecon and food-surplus North America and Australasia.

For the West, the East is a source of still sizeable contracts that help cushion Western employment in time of recession because the East is generally less susceptible to the business cycles that charac-

terise capitalism. For the East, the West is the source of the best industrial technology that their money can buy.

By the close of 1983, both sides seem better placed to move ahead again in trade. The Eastern countries have put themselves into a large surplus position on their hard currency trade with the non-Communist world (developed and developing countries).

These surpluses, according to United Nations estimates, will amount to \$8.4bn collectively for the six East European countries—East Germany, Czechoslovakia, Poland, Hungary, Romania and Bulgaria—and to \$7.1bn for the Soviet Union this year.

Viewed more narrowly this has pushed Western Europe into deficit with the East and reduced the North American surplus, though Japan continues to improve its trade balance with Comecon. What it means, however, is that the East has the financial means, if it chooses to use them, to start increasing imports from the West again.

In the West, the dust is beginning to settle from the 1980-82 disputes about sanctions and embargoes on trade with the East. The rough compromise that seems to be emerging is U.S. acquiescence in the arguments of its European and Japanese partners that the U.S. has got the invasion of Afghanistan and martial law in Poland have only short-lived symbolic effect, and that embargoes to weaken the Soviet economy (one of Washington's rationales for opposing Western involvement in the Siberian gas pipeline) are futile.

A sign of this is the Nato discussions about putting an end to sanctions on Poland. As a result of the U.S. has got the acquiescence of its allies in tighter export controls on technology that might be usable in Warsaw Pact weaponry, although the argument is still about how much tighter.



American grain shipments to the USSR (left) provoke less controversy than equipment for the Siberian-Western Europe gas pipeline.

East-West Trade

At more than \$75bn a year, trade has survived the political tensions between East and West. But to start growing again, it needs to become more broadly based

It might therefore seem that both East and West are ready to resume 1970s-style growth in their trade. But this is not so. The vicissitudes of recent years have left scars, and the tense political-military climate is not conducive to their quick healing.

In particular both sides have doubts about their dependence on each other in three broad areas (discussed in more detail elsewhere in this survey).

The first is financial. The caution here is now less on the Western side. Western banks, and to some extent governments, have put the total \$60bn Comecon debt in a wider context, realised that it amounts to one-third of that of three Latin American countries alone, and concluded that Comecon merits selective lending again. Not to Poland and Romania (except under the force majeure of re-scheduling), but to the others.

Few of the other five Comecon countries, however, want more money. Hungary and East Germany do, but mainly to service present debt. The three Soviet Union, Bulgaria, Czechoslovakia—which could use more Western credit to buy new goods from the West rather than to service old debt do not want to borrow much more.

Almost all Comecon countries feel that the 1981-82 credit squeeze showed up their financial vulnerability to the West. They want to play safe and are doing their utmost to reduce their hard currency debt.

Until they have succeeded further, their strategy, except perhaps in the case of the Soviet Union whose debt is dwarfed by its gold reserves, will be to keep imports from the West growing below the rate of exports to the West.

Less reliance on Western bank credit, even on trade-related credit, implies more reliance on cash and counter trade to finance purchases from the West.

A second area of concern is technology trade. The inhibition here is mainly on the Western side. The Reagan administration feels, and is in the process of trying to convince its allies in the Co-ordinating Committee (CoCom) in Paris, that the Soviet Union has been able to turn Western civil technologies,

particularly in the electronics field, to military use and that shipment east of such "dual-use" items should be further restricted.

The fact that today's civil applications (computer games) of "dual use" technologies often run well ahead of military applications (missile guidance) makes control very hard to enforce, particularly when microchips can be shipped into pockets or data fed over telephone lines. But by the same token, attempts at thorough enforcement, which the Reagan administration vows, could give East-West trade which they have not hitherto had.

Aware of this, the Soviet Union has been urging its Comecon allies that they should

make more of the products the West threatens to embargo. Whether they can succeed is open to some doubt. They have the brainpower and the skills and have launched ambitious Comecon-wide programmes in, for instance, electronics and robotics.

The problem lies in the systemic barriers to innovation in the East, separation of R & D from production, plan targets of quantity rather than quality and so on.

Restricted trade in high technology would compound the problem of the present narrow commodity make-up of East-West trade. This is the third area of concern, and it is shared by both sides.

East-West trade is concentrated on a more limited range of products than the trade of either East or West with other parts of the world. Primary products (principally energy, and Soviet energy at that) make up around 70 per cent of Comecon exports to the West, while manufactured goods have sunk to less than a third of the total.

Western exports to the East have shifted towards food and intermediate products and production materials and away from machinery and equipment (now about a quarter of the total).

Neither East nor West is very happy at having to rely on the other, its major potential adversary, for commodities so basic as food and fuel. Both sides are to some extent trying to reduce this dependence. The Soviet Union has its "food programme" aimed at increased self-sufficiency in agriculture. This year West European members of the International Energy Agency agreed that they would carefully examine non-Soviet sources of supply before buying more Soviet gas beyond their latest Siberian gas contracts.

In the light of these inhibitions, East-West trade will have to become more broadly based if it is to grow in the late 1980s at anything like its 1970s pace. The West has plenty more to offer outside CoCom-covered items; the constraint is Eastern demand, though this is likely to pick up as financial pressures ease and Comecon countries import the machinery and equipment they need for modernisation.

The onus is thus on the East to broaden its offer to the West,

bearing in mind, of course, Western protectionism against imports of many basic like food, textiles, steel, even chemicals and the cavalier attitude which the European Community often takes in charging Comecon countries with dumping.

One hopeful sign for better Comecon export marketing is the recent widespread changes in foreign trade organisations (FTOs), which have hitherto sold sole export/import monopolies and tended to be divorced from producers and manufacturers, to the detriment of Eastern or Western buyer or seller.

The reforms range from letting larger companies do their own foreign trading (as in Hungary and Poland), to awarding producers to run their own FTOs or integrating existing FTOs into manufacturing companies (in the rest of eastern Europe).

Classic style

The Soviet Union alone has not decentralised its system at all but then the classic style FTOs are best suited for bulk trade in simple commodities, which is what most Soviet exports are.

More basic, market-oriented reforms in Comecon would facilitate East-West trade. This is being done piecemeal at present, with Hungary well to the fore, following by Bulgaria and Poland, with Czechoslovakia, Romania and even the Soviet Union, showing signs of interest and East Germany blank disinterest.

The contrast between Hungary today and Poland in the 1970s shows that Comecon countries with realistic pricing and decentralised decision-making make much better long-term trading partners for the West. Better trading arrangements inside Comecon itself might help, not hinder, East-West trade.

That this is so is clear from the developments in the first half of this year, when the upturn in East-West trade coincided with a sharp upswing in intra-Comecon trade. But continuation of the latter may depend on structural trade reforms in Comecon.

Such reforms are on the putative agenda of Comecon summit talks which have been repeatedly postponed over the past two years. It might still take place next spring, Mr Yuri Andropov's health permitting.

West - East flow: high technology sh are of exports in decline

East - West flow: inventors are not very market-conscious

Western family jewels remain intact

PART OF the popular argument in the West for increased controls on exports to the Soviet bloc rests on the impression that a predominant share of Western sales to the East is in high technology. This is not so. In fact, the Comecon countries now buy less industrial technology (turnkey plants, machines, licences, know-how) and more food and intermediate products (like chemicals) as a proportion of their total imports from the West than they did 10 years ago.

The broad category of machinery and equipment, much of which might be described as technology-intensive, accounted for a third of total Comecon imports from the West in 1970 and declined to a quarter 10 years later.

The element in these imports that can properly be described as advanced is much smaller. A recent U.S. Commerce Department study defined "high technology" as made up of some 30 categories in the standard international trade code, including computers, some machine tools, electronics, telecommunications, turbines, X-ray equipment and so on.

By this definition, Communist countries (including China) bought in 1981 only 4.1 per cent (4.7 per cent in 1970) of world-wide Western exports of high technology.

Slightly smaller

There is, in fact, a slightly smaller "high technology" share in Western exports to the Communist world (9.8 per cent in 1981) than in Western exports to the world as a whole (12.4 per cent in 1981). That does not prove the Soviet bloc is less hungry for Western advanced technology; it partly shows the greater Comecon need temporarily for Western grain and intermediate products.

It does, however, correct any misapprehension that in general terms the West has been giving away the "family jewels" in terms of technology to the Soviet bloc any more than to the rest of the world.

That said, there seems nonetheless to be a disposition among Western governments to tighten, selectively, security controls on technology exports to the East—partly because of pressure from the Reagan administration and partly because of present East-West political and military tensions.

One concern centres on the balance of economic advantage in technology trade. It is clear that the East has gained more from its technology purchases from the West than vice versa (see accompanying article).

Much of the Soviet chemical and car industries has been, and is still being, built by the West,

for instance. The Soviet oil and gas industry has drawn heavily on equipment from the West.

By contrast, machinery and equipment accounted for a mere 6.3 per cent of Comecon exports to the West in 1980 and only 1.8 per cent of Soviet exports to the West. The trade in "disembodied" technology such as licences is equally lopsided, with Western sales predominating over Eastern.

However, the lop-sided economic nature of East-West technology exchange is not of general concern to Western governments, except to some in the Reagan Administration who believe that "Western technology has been a vital prop to the Soviet civil economy and that, if this prop were removed, Soviet leaders might be forced to divert resources from the military into the civilian consumer sector.

This was an argument used for a time by Washington to back its opposition to Western involvement in the Siberian gas pipeline. But as the row over the same Siberian pipeline showed, it is not shared by U.S. allies in Western Europe and Japan.

They see little evidence that the Soviet Union would be susceptible to any general Western economic pressure. This difference of opinion naturally reflects the fact that technology is more important for Western Europe and Japan than for the U.S., both in absolute and relative terms.

Yet there is more general support for the Reagan Administration claim that "Western technology has been an important prop to the Soviet military sector, and that for straight security reasons export controls should be tightened. Many U.S. allies have found fairly convincing evidence of their own to the contrary, recent U.S. intelligence evidence that the Soviet Union has used some Western technologies, particularly in the computing and electronic area, to build weapons better and quicker than it otherwise could have done.

The upshot is that, while the Western allies still disagree sharply over export controls for foreign policy purposes (such as the sanctions on the Soviet Union after its invasion of Afghanistan and its condoning of martial law in Poland), they agree in general that further efforts should be made to keep out of Soviet bloc hands technologies that could be put to military use.

This is now being discussed in the Co-ordinating Committee (CoCom) the organisation based in Paris which vets sales by almost all Nato countries and

	WESTERN TRADE BALANCE WITH COMECON			
	1980	1981	1982	Jan-June 1983
Bulgaria	0.63	1.03	0.75	0.24
Czechoslovakia	-0.16	-0.32	-0.33	-0.39
East Germany	0.26	0.12	-0.68	-0.02
Hungary	0.56	0.85	0.72	0.18
Poland	1.23	0.86	0.91	-0.01
Romania	0.58	-0.26	-0.80	-0.5
East Europe	3.19	2.18	-0.34	-0.5
Soviet Union	-2.88	-0.23	-0.05	0.7

Source: United Nations Economic Commission for Europe.

Japan to Communist countries. The key issue in CoCom, now as always, is which technologies can be considered "dual use" (with military as well as civil application) and therefore should be placed on the CoCom embargo list that forms the common denominator of national export controls of individual Western governments.

CoCom reviews this list every three years adding new items and subtracting those which have become dated or of less military relevance—the general aim being to maintain the Western technical lead over the East. The usual division is between the U.S. pushing for maximum controls and its allies trying to keep them to a minimum, and the current review which began in autumn 1982 is no exception.

Unusual

What makes the list review unusual, prolonging it to some time next year, is the scale of the U.S. proposals to both broaden the scope of controls and change the nature of the CoCom machinery. They include:

● A switch in the focus of CoCom controls towards restricting technologies basic in civil and military industry, such as microelectronics and perhaps less emphasis on controlling end-products, like individual chips, which may be hard to reverse engineer. Whether this would mean a net expansion or contraction of the CoCom list is not yet clear. The U.S. Government studied this "basic technology" approach to export controls since the mid-1970s, but still not incorporated it fully into its own national control list. But the probability is that it would widen the CoCom net.

● Special priority for control of some 14 categories. Agreement has been reached on some, such as floating dry docks, spacecraft and special composite materials potentially useful as ballistic missile heat shields. But major disagreement remains in such traditional problem areas as computers. The U.S. also wants robotics controlled for the first time, as well as computer software, which is considerably more problematic than tracking the flow of hardware.

● A "watch list" of emerging technologies which the U.S. feels might have future military potential. The U.S. has received allied agreement on this, partly because it is not an additional embargo list. The aim is to alert Western officials to potential technology risks before the risks become actual and before they take up too much commercial investment.

● A military committee to sit alongside the diplomatic representatives that presently make up CoCom. This would give Western military officials a direct say in drawing up the CoCom list and in vetting the roughly 1,000 requests for exceptions to the embargo list which national governments file on behalf of their companies every year. U.S. allies have generally objected to the military committee idea, which they feel would upset CoCom's present delicate balancing act between political, defence and trade interests. They say the proper place for military input into export licensing is in national capitals—and in fact that were to happen, U.S. officials say they would rest their case.

Even tightened CoCom controls will not affect more than a tiny percentage of Western exports to the East. But they will dampen at least psychologically, the East-West trade climate. The Soviet Union has already been telling its Comecon partners that the East tries to get illegally (often via neutral countries) what it can no longer get legally.

DAVID BUCHAN

Comecon good buys hard to spot

LAST MONTH Vost-Alpine of Austria announced further expansion of the plasma furnace process in its Linz steel mill. It said the process, bought as a licence from East Germany, had already been proved in the Peral special steel works in East Germany, where some 500,000 tonnes of quality steel had been produced with less dust, gas, noise pollution and with less electricity than other methods.

This is a classic instance of where the East has something to offer the West in technology. The East-West flow is not as great as the West-East flow, but it comes as a surprise to many in the West that it exists at all. According to one rough estimate, Comecon countries have sold around 1,500 licences since 1955 outside the Soviet bloc, of which perhaps 500 are still active. During the same period, Eastern countries bought about 2,400 licences from the West with a higher proportion still in use.

The value of individual Comecon technology licence exports is generally lower than those imported from the West, partly because equipment deliveries are less often part of the Comecon licence package and partly because Western licences bought by Comecon countries tend to be used on a national scale. A Comecon enterprise or foreign trade organisation will usually buy a Western licence to plug a technological gap in the national plan, while the Western purchasers of Eastern licences usually supply a smaller portion of a given Western market. Sometimes, too, licences are bought by Western companies as a friendly gesture to their eastern trading partner or as the result of Eastern insistence on countertrade, in know-how as well as merchandise.

Characteristics

There are a couple of general characteristics about Comecon licence sales. The first is that they tend to be process rather than product technology; product licences for soft lens (Czechoslovakia) or surgical stapling guns (the Soviet Union) tend to be the exception. This is partly because of the known difficulties in centrally planned economies, with their usual separation of R & D from production, in speedily translating new ideas into full scale production, and partly because of the relative lack of attention to consumer products.

Some changes which may help remedy this are underway in economies as disparate as the Soviet Union and Hungary. A combination of stick (rejection of substandard products) and carrot (innovation bonuses of up to 236,000 from 1985 onwards) is being tried in the Soviet Union, while Hungary has an official Innovation Fund to bring new ideas to the market place.

The second characteristic is that Comecon licence sales tend to be in fairly traditional fields such as metallurgy, mechanical and hydraulic engineering, energy, mining (where the East is quite strong), plus the medical and biochemical field (in which the East has always had a keen interest). They are, rather obviously, less concentrated in electronics, computers, plastics, even chemicals where the East is well behind the West. The East has sometimes turned this deficiency to advantage, going the "mechanical route" and refining traditional technology in search of greater efficiency. Instead of the "electronic route" pursued by the West in search of greater automation.

The Soviet Union, for instance, sold licences for its "dry quenching" system for cooling down coke used in blast furnaces to Nippon Steel of Japan and the Chambers of the UK and Thyssen, of West Germany, according to Mr B. Kurakin, head of Licensintorg, the Soviet licensing agency. This system saves on the waste and pollution caused by simply pouring water on the coke as often done in the West. Another widely purchased Soviet licence is the evaporation blast furnace cooling process.

It is perhaps curious that the Soviet Union and some of its Comecon partners, whose oil and gas prices are below world prices should have energy-saving processes in metal making to sell to the more conservation-minded West. It is on the other hand, little surprise that the Soviet Union with its enormous pipe and rail network should have welding technology to offer the West. This, for instance, has been sold to the U.S. and used to weld rails on the Washington DC metro system.

Development

For some of the same reasons, Comecon press or product licences often need substantial further development to be marketed in the West. Japan has excelled in improving on Comecon licences. This, however, is usually reflected in the lower price of the licence.

As far as is known, no Eastern equivalent of CoCom exists to vet technology sales on security grounds. Defence-related technology is kept under much closer wraps in the East, and, though some East German and Czech photographic equipment is believed to have been used in Western military equipment, it is generally of marginal use to the West.

Because most saleable Comecon technology is process rather product, it is often hard for the potential Western buyer to spot. Eastern inventors are often not very market-conscious, particularly in the Soviet Union where a few years ago an official complained that ministries had no systematic approach to patent protection for Soviet products and inventions. Of 70 R & D institutes in the Ministry of Instrument Making, he said, only nine even recommended taking out foreign patents. According to Mr John Kiser, a U.S. specialist on Eastern technology sales, "the most commercially successful licence sold in the U.S., the Wichterle soft lens, came about through the initiative of a U.S. company that learned of the research being done in Czechoslovakia and brought it to the attention of the licensing organisation there."

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DAVID BUCHAN AND TOM SEALY



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EAST-WEST TRADE II

Growth is likely as financial constraints ease

THE EXTERNAL finances of the Soviet Union and its six Comecon partners in Eastern Europe—taken as a whole—are in much better shape now than they have been since the start of the 1980s. Boosted exports and slashed imports have put them in collective trade surplus with the non-Communist world.

Lower interest rates have left most Comecon countries with a current account surplus, which they are using to reduce their hard currency indebtedness. Five of the seven are creditworthy by any international measure; the odd man out remains Poland and Romania.

The foundation of the improvement has been in the trade balances of Comecon. After four years of low growth in the Soviet Union and two years of real decline in several East European countries, the first half of this year has seen a decided upswing in economic activity and trade.

The six East European countries increased exports to the industrialised West by 4 per cent in volume in January-June 1983, reversing the 4 per cent decline last year. At the same time they kept imports from the West at some 7 per

latest report notes that the upswing in Comecon's trade with the outside world has coincided with a modest quickening of trade inside Comecon. This was particularly noticeable in commerce between the East European countries which grew 7 per cent in volume terms in the first half of the year, after a long period of feeble growth.

The other marked tendency in intra-Comecon trade, the rise in East European exports to the Soviet Union, is simply explicable by the need to pay for higher-priced Soviet energy.

This all seems to show that intra-Comecon integration is not inconsistent, as is sometimes believed by observers in the East and West, with increased East-West trade.

After the events of the early 1980s—the Polish financial collapse, the freeze on new Western credit, and soaring interest rates on old credit—all the Comecon countries are keen to reduce their hard currency indebtedness. With the exception of Poland, they are now in a position to do so, with trade surpluses that are big enough to pay interest and some principal.

The result is that in 1982 the Comecon countries changed their position from being net

takers of funds in the inter-\$61.3bn by the end of last year. Setting this in a wider context, Wharton notes that the \$53bn owed by the six East European countries amounts to 8 per cent of their combined national product and about \$480 per head of population.

Gold reserves

This compares with the far larger Brazilian and Mexican debts which amount to over 30 per cent of those countries' Gross National Products. For the Soviet Union, the second largest economy in the world, an \$8bn debt is tiny; Soviet gold reserves alone are three times the value of that.

So much for the bird's eye view of Comecon external finances. Given the wide differences between Comecon countries, it is useful to distinguish between them in some more detail.

The first group, the Soviet Union, Bulgaria and Czechoslovakia, can be termed the "conservatives". These countries are all in the happy position of being able to let domestic developments determine their foreign borrowing, rather than the other way around.

They have the three lowest debt service ratios in Comecon,

and are on this ground the best credit risks in the region for Western bankers. But they are also the most politically conservative and are interested in reducing or simply maintaining liabilities to the West.

Czechoslovakia, this summer raised its first euro-market loan, of \$50m, since 1980. But it made clear this does not herald a systematic return to Western capital markets, but was rather a status symbol to show that Prague can get normal treatment from Western bankers, if it wants it.

The second group, Hungary and East Germany, are the "tightrope walkers". They are interested in new borrowing from the West, partly to service their relatively high level of old debt, and, for different reasons, they are able to.

The buoyancy of the Hungarian economy, the result of steady market-oriented reform, plus the country's entry into the International Monetary Fund and World Bank, have reopened its channels to the commercial capital markets. For the last two years it has been by far the biggest Comecon borrower in the West.

East Germany has none of Hungary's advantages, but it

does have its special political relationship with West Germany which this year has been turned to good financial use. West German banks this summer lent it DM 1bn, with a Bonn Government guarantee, despite the fact that East Germany has perhaps the poorest record in the East in disclosing financial information.

Casualties

The last group are Poland and Romania, the "casualties" of previous ambitious borrowing from the West. They are the ones that want and need to borrow more from the West, cannot. But precisely because of this sorry fact, both countries have been forced to push themselves mainly by import cuts, into surplus on their hard currency trade.

Polish convertible currency trade is likely to be around \$1bn in surplus, and Romania about \$1.5bn, this year. Romania hopes not to have a third year of debt rescheduling in 1984.

Poland, with a \$24bn debt to shoulder, is obviously fated to have to keep on rescheduling principal maturities. It is not yet in a position even to pay the whole interest on its debt,

COMECON DEBT (end 1982 in \$ bn)	
Bulgaria	1.8
Czechoslovakia	3.3
East Germany	9.3
Hungary	9.3
Poland	24.1
Romania	2.8
Soviet Union	8.0

Source: Wharton Economics.

having been—fortunately released by Western political sanctions from having to pay interest on official debt to Western governments in 1982-83. Such is its parlous condition that it has been able to get unusually favourable terms from Western banks, with a major portion of interest paid to Western banks in the past two years being recycled back into Poland as a further loan. Overall, it is clear that the inability of some Comecon countries, and unwillingness of others, to borrow more credit has constrained East-West trade growth. But with the increase in cash and convertible and healthier financial positions in the East, the constraint may weaken soon.

DAVID BUCHAN

The flow of cheap Soviet oil has slowed significantly

Era of feather-bedding is over

FEATHER-BEDDING of the East European economies with cheap Soviet oil has not yet completely ceased. But it has been significantly reduced with profound effects on Eastern Europe's energy balance and trade.

Just as the effects of the Western recession and credits freeze since 1980 have concentrated East European minds on economic reform and living within one's means, so too has the USSR's oil industry difficulties forced a fundamental reform in Eastern Europe's energy policies.

That does not mean that Eastern Europe is facing a critical energy shortage. It is not, but the days of prodigal energy consumption which buoyed up the East European economies while the industrialised Western nations reeled under the impact of successive oil price shocks are over.

Eastern Europe is now faced with the same painful process of energy readjustment that Western Europe has already weathered.

Three main factors, all related to the Soviet oil industry, lie at the root of this readjustment. First, Soviet oil production, which grew at an average annual rate of 6.8 per cent in the 1971-75 five-year-plan and 4.2 per cent in the 1976-80 five-year-plan, has slumped to an average 0.9 per cent a year in the current five-year period.

This slowdown, coupled with the need for extraordinary aid to Poland, forced the USSR to introduce an average 10 per cent cut in planned annual oil deliveries to its other East European partners in the current five-year-plan.

Second, this supply cut was accompanied by a series of price increases for the USSR's East European oil buyers as the "sliding scale" formula, on

which intra-Comecon oil prices are based, is a function of world oil prices in the preceding five years, reflected world market oil price rises occurring in the mid- and late-70s. This pushed the intra-Comecon oil price up by some 70 per cent from 1979 to 1982, or from about half of the world market price to about 77 per cent of it.

Sales increased

Third, and most recently, the sharp drop in world oil prices last year which has forced the USSR to increase its oil sales to the West to maintain the level of its hard currency earnings. Eventually, the slump in world oil prices should be reflected, by way of the sliding scale formula, in the price the USSR's East European partners will have to pay for Soviet oil.

The USSR, however, will not be able to provide more oil because of its need to maintain high volume sales for convertible currencies. A sharp rise in world oil prices should, of course, release more oil for intra-Comecon trading, but this would also produce another sharp increase in price for them too.

Whatever happens, Eastern Europe has got to get by with less oil and it has been trying hard to do it. With the exception of Bulgaria, apparent energy consumption in Eastern Europe grew by less than 1 per cent a year in 1980-82, with Czechoslovakia, Hungary and Poland achieving an absolute decline in energy consumption in the 1979-82 period.

Moreover, figures produced by Wharton Econometric Forecasting Associates (WEFA) of

Washington show that all of the East European countries except Poland have achieved significant cuts in the ratio of apparent energy consumption to net material product produced.

Between 1979 and 1982, East Germany cut its energy/NMP ratio by nearly 9 per cent, Bulgaria, Hungary and Romania by 4-5 per cent, Czechoslovakia by 3-4 per cent.

These cuts in consumption have been achieved almost solely through cut-backs in oil consumption. The percentage share of oil in the total energy consumption of the CMEA six (Bulgaria, Czechoslovakia, East Germany, Hungary, Poland and Romania) has fallen from 24 per cent in 1979 to some 20 per cent today, with Bulgaria reducing the percentage share of oil from 39 to 34 per cent, Czechoslovakia from 26 to 23 per cent, East Germany from 21 to 19 per cent, Poland from 16 to 13 per cent, Romania from 30 to 24 per cent and Hungary from 40 to 33 per cent.

If these sharp cuts in oil consumption show anything, it is the tremendous waste of oil endemic to cheap-oil economies. In other words, these countries, which have only completed the easy part, largely without any great upheaval or disruption, also, these cuts have taken place in a period of slowed economic growth.

It is interesting to note, for example, that the only Comecon country with any prospect of reaching its original economic plan targets for the current five-year period, Bulgaria, has increased its total apparent energy consumption by 3.6 per cent a year in 1980-82, and that those

SHARES OF OECD OIL IMPORTS

USSR and Eastern Europe (mbd)		First half		1982		1983	
		1980	1981	1982	1983	1982	1983
USSR	Crude oil, NGLs, feedstocks	0.54	0.53	0.75	0.73	0.75	0.73
	Refined products	0.36	0.35	0.63	0.65	0.63	0.65
Total		1.00	0.92	1.38	1.38	1.38	1.38
Eastern Europe	Crude oil, NGLs, feedstocks	0.04	0.04	0.03	0.03	0.03	0.03
	Refined products	0.31	0.23	0.21	0.20	0.21	0.20
Total		0.35	0.27	0.24	0.23	0.24	0.23
USSR/Eastern Europe total		1.35	1.24	1.62	1.76	1.62	1.76
(% of OECD imports)		(4.5)	(4.9)	(6.9)	(8.1)	(6.9)	(8.1)

countries which showed reasonable economic growth in 1982—East Germany and Hungary, also saw their apparent energy consumption rise in that year.

There is, therefore, the likelihood of a period of real energy austerity for the smaller East European countries over the next several years until current investments in the greater utilisation of domestic sources of coal, hydro and nuclear energy pay off and until an industrial transition from oil to natural gas can be completed. However, the long-term effects of this process should be beneficial for East-West trade.

More competitive

More efficient use of domestic and imported energy resources should make East European products more competitive in the world market. As a reducing dependence on Soviet oil should also mean a similar cut-back in energy imports from the West, more hard currency should be released for other kinds of imports from non-Opec members.

Intriguingly, it is the energy-rich Soviet Union which could face the biggest hurdles. So far it has not achieved anything like the success of its smaller East European partners in cutting energy consumption and has made no attempt at reform to adjust its industry generally to a regime of more moderate consumption. Its foreign trade

is also more critically dependent on energy exports, particularly and overwhelmingly oil.

This need to maintain the level of its hard currency earnings from oil has already forced the USSR to switch from its traditional role as high-price leader in the international oil market to low-price leader in order to keep its market share.

It is also the driving force behind the USSR's efforts to increase natural gas sales to the West to help compensate for any fall-off in hard-currency oil revenue.

There is no spot market for gas, however, nor, with pipeline transport, is it a commodity which can be easily switched around to the buyer with the best offer.

Soviet gas exports to the West can only easily go in two directions—Western Europe and Japan. Unfortunately for the USSR, neither the political nor economic climate in either area holds out any real prospects for increasing gas sales above the minimum levels already contracted for several years.

If that should prove to be the case, it could force the USSR to make some adjustment policies which are now being pursued so painfully by its smaller Comecon neighbours.

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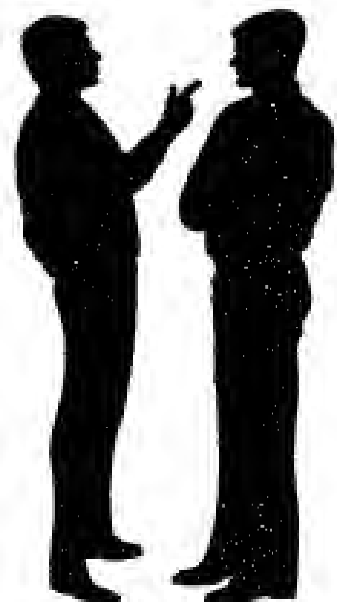
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EAST-WEST TRADE III

East-West trade seems to have a way of ignoring the on-off dialogues of the politicians. Below are progress reports on the trade relations between the West and the seven Comecon countries



USSR

THE DAYS of the Soviet mega-contract are over. The huge turnkey projects which once were a feature of trade with the Soviet Union have been replaced by a much more selective approach. This reflects the general shift of Soviet investment priorities towards the modernisation and technological upgrading of existing factories rather than huge, capital intensive green field projects.

Old habits die hard but Soviet planners are now trying to put across the message that small is beautiful and specialisation is the key to higher productivity. Partly, this is a response to the slowdown in overall economic growth and partly to realisation that what even in the Soviet Union natural resources

are neither cheap nor infinite. In theory this means that small and medium-sized specialist firms in the West are now much more interesting to Soviet trade delegations and foreign trade organisations than in the past. Part of the evidence for this can be seen in the growing number of specialised trade fairs and technical seminars.

Much depends, however, on the nature of the product and whether it fits into the priorities in the Soviet plan.

The most profitable line of business is selling high technology products and machines banned under CoCom rules. The Soviet Union has stepped up its economic intelligence gathering activities and one of the most important functions of Soviet trade missions and other Soviet officials abroad is to seek out the kind of products and machines required by the Soviet military economy.

But while the Soviet Union has increased its industrial intelligence functions and stepped up the search for businessmen willing to make high profits by heading CoCom rules, western customs authorities have created new specialised teams to watch out for false documentation, unexplained changes in destination on the high seas and other tricks of this trade.

The UK customs and excise

for example recently set up a special East-West trade unit to keep a closer eye on dubious shipments from the UK.

The interception rate and the risks involved in this trade have increased as a result, witness the most recent impounding of missile-guidance-capable computers re-directed from South Africa to Scandinavia on the way to the Soviet Union.

Few embargoes

The bulk of Soviet trade is legitimate, however, reflecting the fact that embargoes only cover a relatively small number of high technology items while the bulk of Soviet imports are foodstuffs, raw or semi-finished industrial goods and medium technology machinery.

West Germany and Finland are two of the most valuable trade partners for the Soviet Union, not because they are sources of high technology products but because they are well-organised to supply a wide range of perfectly ordinary products at short notice. These are often required to make up for shortages which have suddenly appeared in one or other aspect of the planned economy. Spare parts, screws, steel plates, basic chemicals, plastics and a huge range of such mundane products make up a high proportion of such trade which is usually

done on a cash basis with tried and trusted long-time trade partners.

Persistence and mutual trust built up over long years of repeat business is the key to success in the Soviet market and the most successful traders are those who keep going back and forth and honour contracts to the letter.

Political factors are also important. French Government demands that the Soviet Union step up industrial imports from France to ensure balanced trade were factors in ensuring French contracts for a complex, secure gas project near Astrakhan and the recent FF 1bn (\$85m) contract won by Renault to supply know-how and equipment for a new Soviet hatch-back.

Despite all the harsh words in the past the Soviet authorities noted Mrs Thatcher's refusal to toe the U.S. line over Siberian gas pipeline orders and are aware that without more orders for British companies some will drop out of the bidding for future deals.

This may not be in the broader Soviet interest. Soviet FTOs like to take the fullest belovness of their position as monopoly buyers by playing off companies and countries against each other to obtain the best terms. The more players in the game the better, from the Soviet point of view.

East Germany



BY LESLIE COLT

EAST GERMAN officials say the economy is back on course and will fulfil the ambitious target of 4.5 per cent growth this year in national income. Last year's results were a disappointing 3 per cent growth in national income compared with a target of 4.5 per cent. East Germany, however, still managed the highest growth rate in Eastern Europe after Bulgaria.

The country's leader, Herr Erich Honecker, recently said a "considerable" surplus has again been achieved in East Germany's hard currency trade. Last year's surplus was a healthy \$800m with countries in the Organisation for Economic Co-operation and Development and \$700m with developing countries.

Hard currency imports were slashed last year to achieve the surplus and the process has continued this year. East Germany has left few stones unturned in its dogged pursuit of debt reduction. Its annual income in D-Marks from West Germany for transit fees to West Berlin and other revenue connected with the city and with West Germans visiting East Germany is equal to its estimated interest payments this year of \$600m.

East German state traders especially in silver and gold commodities on Western markets while buying and selling spot oil in Rotterdam.

The result of all this effort is that the country's debt service ratio at the end of 1982 was estimated to have

fallen to some 25 per cent. Western bankers report that despite the onerous structure of the East German debt—some \$8bn due this year and next out of a total estimated debt at between \$10bn and \$12bn—payments by Deutsche Ausenhandelsbank (Daba) in East Berlin continue like clockwork.

West German bankers say they would be prepared to follow up their loan last June of DM 1bn to East Germany with a similar credit but only if the West German Government again provides a guarantee. Bonn, however, notes that East Germany will first have to live up to the unwritten agreement that it will improve "humanitarian" contacts between East and West Germany.

Non-German Western banks which have refrained from dealing with East Germany in recent years are reported to be taking a fresh look at the country in view of its excellent payments record.

The price of course is being paid by East German industry which is deprived of badly needed capital goods from the West and by the East German consumer whose personal consumption fell in real terms last year and in the first half of this year.

In order to provide vital imports for production without paying hard currency, East Germany has switched its source of imports to West Germany. The clearing system trade between the two Germanies is conducted in units of account equal to the D-Mark and East Germany pays by exporting its goods to West Germany. East German cumulative deficit in inner German trade has reached DM 4.5bn and West Germany says this is the limit.

The best bet is that West German banks, acting under pressure from the ailing steel industry, will come across with supplier credits for steel deliveries to East Germany which the Bonn Government will guarantee.



Poland

AS IF three years of import austerity for Poland were not enough, next year will be the same, for Western exporters at least.

These businessmen, and the numbers visiting here are creeping up, who are doing business and who have managed to corner some of the \$4.5bn which went on imports from the West this year are not complaining, however.

Deliveries on the basis of confirmed letters of credit which is the way most goods are delivered to Poland now may not be as terribly ambitious but at least payments are prompt and sure.

A degree of decentralisation has also come to foreign trade with the hard currency retention accounts which enable companies to keep back a percentage of their export earnings and spend them as they see fit.

Until the end of October this year 11 per cent of export earnings were deposited on these accounts and \$340m or 10 per cent of total imports from the West were purchased in this way.

Next year, with a mere \$200m in fresh Western credits pencilled into the balance of payments plan of Mr Stanislaw Niekarcz, the Minister, the squeeze on import finances will continue and almost all of it will take place on a cash basis.

This year Poland managed to raise \$600m worth of new credits including a loan from China and a complex relationship with Libya whereby Poland was lent \$200m to buy and spend them as they see fit, a loss Polish officials insist.

Even so, hard currency imports dropped by 2.5 per cent in value compared with 1982 while exports valued by the year's end at \$5.6bn will rise by 12.5 per cent.

In 1984, Mr Niekarcz is estimating that he will be spending \$4.8bn on imports, a rise of 4.4 per cent. A quarter of his hard currency income made up of \$6.2bn in sales of goods and construction work and \$500m in invisibles, will go on debt servicing. That represents an easing from 1982 when 30 per cent of Poland's hard currency income went on debt payments amounting to \$1.8bn.

The structure of imports in 1984 is also unlikely to change much from this year's: 80 per cent of spending going on raw materials and semi-finished products, 7 per cent on capital goods and 15 per cent on the bare minimum of consumer goods.

The great weakness both this year and next is the export capability of the electro-engineering sector which accounts for some 25 per cent of exports and runs from the through cars, washing machines to industrial machinery.

Here quality is down and technology falling increasingly behind. This year the sector failed to earn a planned \$180m. The shortfall was made up of above planned sales of raw materials.

At the same time the planners are wondering whether increased coal sales might plug the gap. This year 18m tonnes went to the West while 15m tonnes were sold to Comecon. Whatever happens, import needs are said to exceed the planned figure for next year by around \$1bn in value. The chances that this can be earned in extra exports are poor.



Czechoslovakia

OFFICIALS IN the Czechoslovak Ministry of Finance say the country will have economic growth of 2 per cent this year — thus meeting the planned target — which is to expand to an annual growth rate of 3 per cent for the rest of the 1980s. This would represent a considerable improvement in national income (equivalent to GNP) which grew by only 0.4 per cent last year and 0.2 per cent in 1981.

An important factor in meeting this year's target has been a good grain harvest of 11m tonnes along with higher industrial production. The most important sector, mechanical engineering, is said to have boosted output by 4.8 per cent in the first half of the year while falling by a wide mark to

meet the goal set for hard currency exports.

Czechoslovak hard currency exports rose, in fact, only 1.3 per cent from January to the end of June and the blame once again is placed on the problem child, mechanical engineering. A surplus was nevertheless produced by further slashing imports from OECD countries by 7.1 per cent. The Koruna 3.3bn surplus in the first seven months of the year was equivalent to \$336m at the commercial rate of exchange although some Western trade officials say a more accurate figure would be closer to \$150m.

Czechoslovakia's net hard currency debt in mid-1983 was estimated at between \$3.2bn and \$3.7bn. Mr Lubomir Strougal, the Prime Minister, said the debt level has been reduced faster than expected.

By comparison with its fall in trade with OECD countries, Czechoslovakia's exports to Comecon were up by 4.4 per cent in the first half of this year while imports from Comecon rose 13.5 per cent.

Trade with Comecon thus reached 77.6 per cent of Prague's total foreign trade, a higher proportion than in any other Comecon country apart from Bulgaria.

This sounds less than auspicious for Western companies

seeking to do business with Czechoslovakia. However, Prague economists officials say foreign trade turnover which now makes up one-third of national income will rise to 50 per cent in the future. This would mean that although the share of trade with the West remains static, the volume will grow.

Mr Strougal has been the leading critic of his country's industrial performance, noting that central planning has failed to exert pressure to improve company profits while the undifferentiated wage system impeded gains in labour productivity. Reforms though are expected to be gradual in nature as increased factory autonomy is viewed with suspicion by the leadership.

The economy finds itself in much the same predicament as in East Germany. Czechoslovak managers are no longer easy to sell to other Comecon partners because of the decline in their investment programmes. It is even more difficult to sell for hard currency.

Western exhibitors at the Brno Trade Fair in September said that Czechoslovak machine tool companies were producing without orders simply to fulfil the plan. Mr Strougal in fact criticised the high level of stocks in industry which he said resulted from failure to make the right products.

Hungary



BY DAVID BUCHAN

HUNGARY HAS pulled off another financial balancing feat this year, using a hard currency surplus earned almost solely on trade with the East to keep paying its debts to the West and even to persuade its Western creditors to lend it more money. The way this juggling act works can be seen from trade figures for the first half of 1983. Against a \$121m deficit with developing countries, Hungary had a tiny surplus of \$17m with the West (a big improvement on the loss on the January-June 1982 deficit of \$481m) and a large surplus of \$368m with its Comecon partners, chiefly the Soviet Union.

The same pattern over the whole year should allow Hungary, in the view of Budapest officials, to get within striking distance of its 1983 goal, agreed with the International Monetary Fund, of a current account surplus of \$600m.

Whether this overall improvement is sustainable into 1984 is open to some doubt. It is not just that the narrow surplus with the West has been achieved mainly by import cuts, the result of restrictions on raw materials and components introduced in autumn 1982. There must also be a question mark over how long the Soviet Union and other Comecon countries will want to continue paying for a large slice of their imports from Hungary in convertible currency, particularly since Hungary is running a deficit on its ordinary "rouble trade" with them.

Certainly, Hungarian food is of a quality to fetch a hard currency premium inside Comecon, but drought this summer is likely to cost Hungary \$200m in lost exports, the Government admits.

It is thus easy to see why the Kadar Government is particularly anxious that the former Soviet ambassador to Budapest, Mr Yuri Andropov, stays at the helm in the Kremlin.

The Kadar Government seems content to let Moscow's good will in pressing on with its market-oriented reforms, which among other things have made it the easiest Comecon country for Western companies to do business with.

The Government plans further liberalisation of prices and wage controls next year, on top of this year's changes which include breaking up some larger companies and creation of a bond market to channel private savings into industry, agriculture and some public services.

However, Hungary is clearly not disposed to increase imports from the West much until its external finances are in sounder order.

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Romania

ROMANIA HAS put its external finances into far better order in 1983. But though its problems are on a far smaller scale than those of Poland, its domestic economy remains almost equally depressed with food shortages, the result of bad luck and mismanagement.

By cutting hard currency imports and to a lesser extent raising exports, Romania had a convertible currency trade surplus of \$711m in the first half of this year, putting it on track for a yearly surplus of \$1.6bn, up slightly from \$1.5bn last year.

A 1983 current account surplus of \$800-\$900m (after debt interest is paid) will, according to Mr Ion Bittuleanu, the deputy finance minister, be devoted to bringing the total

foreign debt to below \$9bn by the end of this year and to building up reserves, which were only \$675m by mid-1983.

The Government, having rescheduled its western bank and government debt for the past two years, is set against doing so again in 1984. While Romania is getting little new bank credit some lines of official trade credit have been reopened.

This appears to reflect a somewhat better performance by Romania in paying Western companies on time. Previously Romania had tended to give smaller foreign businesses the run-around on payments, ironic in view of the fact that it is also the Comecon country which has exerted the strongest pressures on foreign suppliers to accept counter-trade or barter.

While all Comecon countries want to pare their foreign debt, no leader has been as ambitiously specific on this as President Nicolae Ceausescu who set Romania's target for 1984 of repaying a quarter of the debt and meeting targets which have been missed for the past three years.

Mr Ceausescu softened the impact of this by telling Romanians that prices for industrial goods would not rise next year. However, freezing official prices may only aggravate shortages and en-

courage the unofficial black market, a fact that the President seemed to acknowledge partly by calling for a fresh crackdown on "profiteers".

It may also bring Romania into a clash on policy with the International Monetary Fund which now has a much-needed three-year adjustment programme underway for the country.

Romania is already unhappy with IMF policy for its energy sector, the acknowledged Achilles heel of the economy. This is paradoxical since Romania is the only Comecon oil and gas producer of significance behind the Soviet Union.

The trouble lies partly in the very heavy use by the Romanian refining and petrochemical sector which has capacity of more than 30m tonnes a year and present throughput of little more than half that, and partly in pricing policy.

The IMF has been urging Romania to price its own hydrocarbons nearer the world level, but has been meeting increasing resistance to this in Bucharest. The Government has said that after two energy price rises already this year Romanian industry can ill afford another cost increase in view of the priority export drive.

Until the energy tangle is sorted out, Romania will not be in a good position to buy or sell much to or from the West.

In the same year its hard currency trade amounted to \$3.5bn of which \$2.2bn was with the developed West and \$2.6bn with the Third World. It is also important to note that although Bulgaria's hard currency trade was in overall surplus last year, this was due entirely to its trade with the Third World which produced a surplus of \$1.3bn. Trade with the developed West showed a \$652m deficit.

Its leading Western trade partners are West Germany, Switzerland, France, Greece, Italy and the UK.

Faster than normal rates of development are planned for mechanical engineering and the electronics industry, with the output of products with low metal and high-complexity content, rising by 10.2 per cent.

In foreign trade, the priorities are transport, the machine building industry, electronics, instrument manufacture, pulp and paper and tourism.



Bulgaria

BULGARIA is now the only East European country to keep to its original target in the current five-year plan. It has also had the fastest growing economy in Eastern Europe from 1981 to 1983. It has maintained a healthy hard currency trade surplus over the past four years and has cut its already moderate hard currency debt to

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Thursday December 22 1983

OECD and the dollar

"GARBAGE IN, garbage out" is a slogan well known to computer users, but less often cited in discussing economic projections; but there are occasions when the question has to be raised. The latest Economic Outlook from the Organisation for Economic Co-operation and Development (OECD) is just such an occasion, and it is greatly to the credit of the OECD secretariat in Paris that it is raised in the report itself.

The key question is hardly written in letters of fire—the organisation has an unfortunate house style.

"It may be felt," says the opening sentence of the section on international monetary developments "that on this occasion the technical assumption of unchanged nominal exchange rates adopted in the preparation of the OECD's forecasts is at odds with the unbalanced pattern of current account positions which results." On to put the same thought as a blunt question: can the U.S. possibly go on plunging into deficit without the dollar coming unstuck?

Mr Stephen Marris, who has recently retired from a distinguished career with the OECD, has already published his own answer in a widely-read magazine interview. No, the dollar will, in his view, fall sharply, thus making nonsense of any forecast which assumes that it won't. Last night's estimate of fourth-quarter GDP growth in the U.S. which shows a sharply slowing growth of output, while consumer spending continues at a high level, suggests that the current account slide may be banishing earlier and faster than the OECD's projections which it itself finds so questionable—would suggest.

The OECD is not really to be blamed for this difficulty; its "technical assumption" is, in fact, a bureaucratic necessity. It is simply not possible for an international organisation of this kind, paid for by governments and working closely with their officials, to do otherwise. If the OECD could be blamed for a run on the dollar—or any other currency—its funds would soon dry up.

For similar reasons, the country forecasts are not "independent" as is commonly supposed. The task of the OECD in this field is to persuade official forecasters in member countries to

make their own forecasts more interdependent—so that they do not, for example, base their national policies on the hope that all of them can increase their exports to the other members, while reducing their imports. The forecasts themselves therefore usually inspire a strong feeling of what another recently retired OECD official has called "deja prévu."

Constraints

In short, the forecasting side of the OECD is constrained to behave rather like a computer, which cannot avoid a certain amount of garbage going in—both in its technical assumptions and in national forecasts. The results should be read with suspicion.

Fortunately, however, these very able officials can cast off such constraints when they come to tackle the technical issues which lie behind any forecast, and here the latest outlook is uncommonly rich. On the dollar—to end any suspense readers may be suffering from a thought that there are two strong factors likely to limit any downward move (which does, between the lines, seem to be regarded as likely). First, U.S. real interest rates are likely to remain high with monetary policy tight; second, any appearance of dollar weakness will give other countries an opportunity to cut their own interest rates. As a result the capital flows needed to finance the U.S. deficit will be sustained by a wider interest rate gap.

In any case, part of the U.S. deficit is due to the fact that the U.S. economy is growing much faster than any other; and here the technical chapters suggest that this gap could close too. The forecasts for non-American economies may be too cautious because fiscal policy, corrected for cyclical and inflation effects, is now being relaxed in many European countries—including the UK. This is mainly because falling inflation automatically makes budgets less restrictive, both because revenues tend to fall faster than costs like debt service, and because savers are better off and spend more. And the inflation news is itself good; another item shows that wages are behaving more moderately throughout the area than any model based on past experience could forecast. There is no holly on the cover of this issue, but it almost deserves it.

The options for Arafat

MR YASSIR ARAFAT is once again steaming defiantly away from his objective—at least in the geographical sense. The Palestinian leader's second evacuation by ship in little over a year is carrying him even further from the shores of Palestine and the 1.2m people whom he is purportedly attempting to free from Israeli occupation.

If all Mr Arafat does when he steps ashore is to go to a press conference and resume flying in circles around the Middle East, the prospects for an eventual solution to his prime preoccupation will remain as bleak as they are today. If, instead, he demonstrates that he has learned something from the sieges of Beirut in the summer of 1982 and of Tripoli over the past two months, then a new approach to peace in the region might be obvious now to Mr Arafat that the Palestine Liberation Organisation, or whatever part of it he still controls, does not have a military option. Over the past 13 years his guerrillas have fought sometimes tenaciously but always futilely against the might of the Jordanian, Syrian and Israeli armies.

Wrong policies

Arabs have killed more Arabs recently in the quest for a Palestinian homeland than they have killed Israelis. And while all this has been going on Israel has acquired almost total military supremacy in the region, a far tighter grip on the West Bank and Gaza and an even closer alliance with the U.S.

In short, PLO policies have been disastrously wrong. There was a hint earlier this year that Mr Arafat knew they were wrong. He went several times to Amman and talked at length with King Hussein of Jordan about forming a joint delegation which would declare its willingness to negotiate with Israel over the future of the West Bank and Gaza, as proposed in President Reagan's September 1, 1982, plan for Middle East peace.

Mr Arafat failed to swing a big enough majority in Fatah, the main guerrilla organisation, and abandoned the attempt. The split in Fatah blossomed at the rebellion, vigorously fuelled

by Syria which had long been uneasy about the risk of Mr Arafat doing a deal behind its back.

Syria has now successfully captured the most radical elements of the PLO but has not succeeded in erecting a credible alternative to Mr Arafat's leadership.

Israel's reluctance to allow Mr Arafat to escape in one piece from Tripoli on Tuesday reflects in part a desire for atonement for terrorist acts and in part Jerusalem's concern that Mr Arafat might change his tactics. A flexible PLO supported by Arab states willing to make peace with Israel is far more of a threat to those Israelis who wish to absorb the West Bank and Gaza than a snarling mob shouting death and destruction to the Jewish state.

The possibilities which Mr Arafat explores nine months ago have now gone away. The majority of Arab states have shown clearly enough this year and last that they were not willing to lift a finger to help Mr Arafat out of his military predicament. But at the end of the autumn of 1982 they did put their names to a declaration which implied eventual recognition of Israel on the basis of all Middle East plans from UN Resolution 242 onwards—an exchange of land for peace.

It is increasingly being argued that this formula is no longer viable because of Israel's settlement building in the West Bank and Gaza. But the formula has never been tried.

The Arab states are currently discussing a date for the summit meeting that was postponed in November. They will be united primarily by alarm at the drift of U.S. policy, and the twin fears of Arab and Iranian radicalism. For the majority of Arab moderates to translate those anxieties into a counter-blast of positive peace proposals will require an act of political courage never previously witnessed. There is not the remotest guarantee that such an initiative will bear fruit. But there is a greater likelihood that further vacillation by Mr Arafat and Arab heads of state will only strengthen the hands of those who oppose a just and comprehensive peace in the Middle East.

THE agreement announced yesterday between Olivetti and American Telephone and Telegraph marks the climax in the almost uninterrupted rise of the Italian data processing equipment manufacturer in the last five years.

Yet it also signals the limitations of the far smaller Italian company's product range and its ability to fill the gaps in it. In a broader context it underlines the relative weakness of European data processing companies alongside their powerful U.S. and Japanese competitors.

Under the agreement, Olivetti is to distribute AT&T telecommunications products in Europe while AT&T will sell Olivetti products in its own, predominantly North American markets. Olivetti and AT&T will co-operate on the joint development of new products and will exchange licences for the manufacture of each other's products. This gives Olivetti access to AT&T's Bell laboratories, the world's largest telecommunications research centre.

AT&T will also subscribe to a capital increase by Olivetti, which will give it 25 per cent of the Italian company, with an option to go up to 40 per cent after four years.

Five years ago, when Olivetti was a struggling, debt-laden company best known for its mechanical typewriters, the idea of such an agreement with a colossus like AT&T, which after divestiture will next year have turnover of nearly \$77bn compared with Olivetti's expected 1983 sales of about £3,600bn (\$3.2bn) would have been unimaginable.

Yet last year Olivetti became the biggest European-owned computer manufacturer on the continent, and the second biggest company in its field in Europe after IBM. This was achieved partly by acquisitions in France, West Germany and Switzerland, but mainly thanks to the self-generating growth during the period since 1978 when it has been managed by Sig Carlo de Benedetti, until

now the company's biggest single shareholder.

The electronic typewriter was the spearhead of a new generation of office products. And Olivetti has turned itself predominantly into a data processing equipment and electronics company. In 1982 more than 70 per cent of group turnover came from distributed data processing and office automation equipment, with manual and electric typewriters taking only 15 per cent.

Once the management turnaround at Olivetti became evident, the company succeeded in raising new capital in Italy, reducing its once overwhelming debt and producing steadily rising profits. The group made a net profit of £102.8bn last

year on sales of £3,341bn. Sig de Benedetti said recently that the after-tax earnings of 3 per cent were "fantastic for Italy, excellent for Europe but by no means good internationally." And that is part of the point.

The turnaround of Olivetti has made Sig de Benedetti the most prominent and most quoted businessman in Italy. But he is pre-occupied not just with the industrial and technological backwardness of Italy—where the words data processing still mean little to most people—but of Europe. He feels Europe has broadly missed the chance of the last few years to restructure its industry, and match the technological innovations made by the U.S. and Japan.

Olivetti's main competitors

MAJOR EUROPEAN COMPANIES

● PHILIPS, The Netherlands. Major alliance formed this year with AT & T. Joint venture company set up to market AT & T's digital public telephone exchange in international markets.

● PLESSEY, UK. Owns Stromberg-Carlson, a U.S. telecommunications manufacturer, and has small stake in Scientific Atlanta, the U.S. satellite equipment company. Until recently licensed PABX from Rolm in California and also licenses some Japanese products. It is lead contractor in the joint development of System X, Britain's digital telephone exchange.

● GEC-TELECOMMUNICATIONS, UK. Involved with Plessey in joint development of System X and licensee of Northern Telecom's private exchange.

● IIT, U.S. Major supplier in many European markets through subsidiaries. Its digital exchange, System 12, has been sold in West Germany, Norway and Italy.

● ITALTEL, Italy. Co-operation in public switching with General Telephone and Electronics of the U.S. and Telettra.

Atlantic-Richfield, in the UK has joint venture with Thorn EMI.

● SIEMENS, West Germany. A major supplier of telecommunications in West Germany, Siemens has not built any major alliances with other companies.

● LM ERICSSON, Sweden. Set up joint venture in the U.S. with Honeywell, the U.S. computer and control systems group, to develop new products integrating voice and data communications. Also has long-standing joint venture company in the U.S. with

AT&T.

● CIT-ALCATEL, France. A major reorganisation of France's two leading electronics groups, Compagnie Generale d'Electricite (CGE) and Thomson has resulted in the creation of one major telecommunications company.

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AT&T.

CHARLES BROWN
AT & T chairmanolivetti
olivetti
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olivettiCARLO DE BENEDETTI
Olivetti's chief executive

In return Olivetti will cease to be an almost wholly European-owned company. According to Sig de Benedetti, AT&T originally wanted to buy the whole of Olivetti, and Sig de Benedetti sees nothing to stop it fulfilling its option to go up to 40 per cent ownership in four years time. The U.S. giant will bring in £450m of new funds.

Olivetti will not be swamped by the Americans, who initially will have only six of the 21 board directors. But there are superficial parallels with the 1980 deal with St Gobain, the French industrial company which brought new capital to Olivetti and rapidly built up a 33 per cent stake. At the time the funds were badly needed and Sig de Benedetti had high hopes of an industrial co-operation agreement and increased access to the French market.

In the event the French company moved slowly on industrial co-operation. Then in mid-1981, the French socialists came to power. They confirmed all Sig de Benedetti's worst fears about European industry by nationalising St Gobain and setting in train "reorganisation" of the French electronics industry which in effect threw it into turmoil from which it is only now emerging.

Only a few weeks ago Olivetti finally reached an industrial agreement with the French for the making of electronic typewriters. The French Government-held stake, now in the hands of CIT-Alcatel, was reduced to 10 per cent and it will now be sold further in relative terms. This satisfied Sig de Benedetti's strongly held feeling that nationalised companies should not have a dominant position in the ownership of one of Europe's more successful large private enterprises.

In any case, since the French stake was first taken Olivetti has grown in stature. Sig de Benedetti long wanted ties with a major U.S. company in his field. Now he has got them.

THE GROWING NUMBER OF INTERNATIONAL ALLIANCES

AT&T's Christmas shopping trip to Europe has added to the growing turmoil in the world's communications industries. New markets, new products and soaring development costs are leading to a growing number of international industrial alliances.

Increasingly telecommunications manufacturers, data processing companies and office equipment suppliers are becoming competitors as technology breaks down the barriers between the different activities. AT&T's purchase of a 25 per cent stake in Olivetti, Italy, is a direct result of the major breaking up of its domestic business, and represents the company's second major link with a European company. Last Summer AT&T formed a joint venture with Philips, the Dutch electronics group, to market public telephone exchanges on an international basis.

The cost of developing the new generation of public digital telephone exchanges is becoming prohibitively expensive.

IT&T spent about \$1bn developing its exchange System 12. Philips also spent a major sum developing its own system before it abandoned the attempt and joined with AT&T.

Few companies or even countries can afford the development costs and are therefore willing to establish joint ventures rather than leave the market altogether. AT&T hopes the link with Philips will give it much better access to markets which the European company knows well.

In Italy, General Telephone and Electronics of the U.S. has entered into an agreement with Alcatel (state-owned) and Telettra to develop a digital telephone system. In Britain the development of System X, its new digital exchange, is being handled jointly by Plessey and GEC-Telecommunications.

Yet AT & T also knows that

it is facing a major battle in the future with IBM for the growing markets in office automation. IBM is already a major force in practically every major market in the world including the U.S. By contrast AT & T's sales are almost totally confined to the U.S.

However, even IBM is not able to develop all the technologies it needs for these complex new businesses. In the summer it bought a 15 per cent stake (subsequently increased) in Rolm, the high flying U.S. telecommunications group which had a particularly successful private telephone exchange.

Honeywell, a leading U.S. computer group, also set up a joint venture with LM Ericsson, one of Europe's leading telecommunications companies to develop new products which integrate voice and data com-

munications. ICL, the leading British-owned computer group, also has close links with Mital, the Canadian telecommunications company.

In addition to the links being forged between computer and telecommunications companies there is also major upheaval occurring in a number of countries' domestic markets. In the UK the liberalisation of telecommunications by the Conservative Government has brought major changes to the leading suppliers.

Since liberalisation, Plessey has begun a drive to establish itself in the U.S. It bought Stromberg-Carlson, a medium-sized telecommunications manufacturer in the U.S., and has developed close links with Scientific Atlanta, a leading producer of satellite and communications equipment.

In France the telecommunications industry has just undergone a major upheaval. The telecommunications business of Thomson has been transferred to CIT-Alcatel, creating one major new group. This new enlarged grouping has in turn been in discussion with other manufacturers, partly to find a way of counterbalancing the strength of the Philips/AT & T venture, but public telephone exchanges.

AT & T has tended to strike fear into European companies on the basis of its formidable reputation and size in the U.S. But some observers believe that Olivetti and AT & T will have major problems establishing a coherent policy in technology and products, particularly as the demands of the U.S. and European markets are often very different.

Jason Crisp

Men & Matters

TV treatment

Signals from television transmitters that brought the nation such programmes as Emergency Ward 10 are being redirected to real medical use in hospitals to combat cancer.

The Independent Broadcasting Authority has found that transmitters being withdrawn from the now-obsolete 405-line black and white services after nearly 20 years are now in demand for medical use.

Hospitals realised that the equipment could be adapted to develop hyperthermia treatment of cancer—localised raising of the temperature of the tumour. That involves the generation of radio frequency at medium power.

Doctors at the Aberdeen Royal Infirmary were being retired and inquired about getting one. The IBA decided to donate the transmitters, which originally were worth several

million pounds, to hospitals. Seven have now been handed over and a number of other hospitals have shown interest.

Naturally in an atmosphere of shortage in the NHS, Norman Fowler, the Health Secretary, is delighted to get such expensive equipment free of charge. He says, "I am delighted to know that this equipment, after giving pleasure to millions for many years, is now to be given a new lease of life in the constant search for effective methods of treating malignant tumours."

Seven youngsters working as shoe-shinners at London's Heathrow Airport could not understand why the British Airports Authority should want to put them back in the queue.

Nor could Tim Harrison, their boss at the London Shoe Shine Company. For during a six months' trial period, they had built up business from nothing to 3,500 customers a month at Terminal 2 alone.

Given space at the other terminals—no more than 120 sq ft in all—Harrison reckons he could employ 25 youngsters and pay the BAA around £32,000 a year.

But the BAA was adamant. When I rang Heathrow yesterday, a BAA spokesman said that the experiment would end on December 31. It was considered that a shoeshine "was not a service that the public really wanted."

Was it true that the shoeshinners would be replaced with video games? "I hadn't heard that," he said. "But I would not rule it out."

A couple of hours later, the BAA rang back to say that "in view of recent interest in the shoeshine business," it had been decided to extend the trial period for another three months.

The situation would then be reviewed and competitive tenders might be invited, he said. Quite a new shine on things.

Golden Silence

The National Coal Board and the National Union of Mineworkers are notorious for their disagreements.

But faced with questions from this newspaper, a mood of absolute unanimity has emerged between the two.

The occasion was the private High Court hearing, which ended yesterday, arising from the inability of the board and union-nominated trustees of the Mineworkers Pension Fund to agree upon an investment strategy.

After spending two days as adversaries behind closed doors the two sides emerged with their lawyers to present an unshakeable united front in response to questions from the FT man at the court.

"No comment" said the Coal Board side to every question. "No comment" echoed the union's representatives.

They remained unmoved by any consideration of genuine public interest in the way in which the fund's £2m assets are invested.

Being an erudite chap our man was tempted to offer them the view expressed by Jeremy Bentham who, not being a coal owner, miner or lawyer, felt able to say that, "In the darkness of secrecy sinister intent, and evil in every shape, have full swing. . . . Where there is no publicity there is no justice. Publicity is the very soul of justice."

War games

So the Brussels press corps can return to its patrol duties among the EEC paper mountains—the second battle of Waterloo will not now take place.

Much excitement had been generated in the Belgian cap-



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Observer

ECONOMIC VIEWPOINT

Hope, charity and welfare

By Samuel Brittan

THIS IS a good time of year to discuss some controversial questions relating to charity. There are many number of good causes clamouring for attention: the aged, the poor, the chronically sick and disabled, the National Society for the Prevention of Cruelty to Children, Oxfam and the relief of distress in many parts of the world.

The question I want to pose in this article is not how we decide between these competing charities, but how we decide what proportion of our income to give to charities of all kinds. In other words: how much of our potential standard of living are we as individuals prepared to sacrifice to the wellbeing of others?

The absolute morality of the matter is something we all have to determine for ourselves. Facts about poverty, distress and the size of our own good fortune are relevant. But the basic decision is one of personal choice and feeling about which the logical analyst has only a limited amount to say.

There is, however, one aspect of philanthropy which is more within the realm of logic and political economy. This refers to "interdependency effects". These effects arise from the fact that what you or I are prepared to give may depend not only on our basic values, but also on what we think other people will give.

Let us introduce a narrow, but not uncharitable, individual known to Mr Free Rider.

Let us introduce an individual known as Mr Free Rider. If you ask him how much of the national income he would like to go to charity, he might say "10 per cent". He would be prepared to pay 10 per cent of his own income if this were both necessary and sufficient to achieve his charitable objective. But his preferred position is that everybody else should give 10 per cent plus a very tiny fraction, and that he should give nothing at all. In that case he would have the satisfaction of seeing 10 per cent of the national income going to good causes, without any sacrifice in his own standard of living. In other words he would be having a "free ride" on the



efforts and sacrifices of others. When faced with the known temptation to take a free ride, what does a real-life individual actually do? There are perhaps three possible moral positions to take.

The first position is often termed the Kantian one, after the German philosopher Immanuel Kant, who argued that a person ought to act only on principles which he would be prepared to see accepted as general rules for everyone. In other words, before acting he will always ask: "Suppose everyone behaved like this. Would I be content with the sort of world that that would bring?"

Applied to philanthropic activity, the Kantian principle suggests that free-riding is morally wrong: good that everyone should contribute an appropriate share to charitable activities.

A Kantian would "carry out a mental experiment". He assumes that everyone else will contribute exactly as much as he does, and then decides what contribution would be best for him on this assumption. He is morally obliged to make this contribution, irrespective of what the others actually do.

This description of the Kantian principle comes from a paper by the economist Robert Sugden, entitled *Who Cares?* (Institute of Economic Affairs, £1.50), a paper which has touched off the speculations in this article.

It should be noted that a Kantian does not have to be a saint. He does not have to give all he has to the poor. But he

implements what he would be prepared to accept as part of a binding contract with all his fellow citizens, even if no actual contract is practicable. At the other extreme to the Kantian is the hard-boiled "realist". This "realist" will say: "Whatever I do will not make the slightest difference to what everyone else does. If I earn £10,000 and I give £1,000 to charity, I impoverish myself. Yet that £1,000 is so small compared with the receipts of any well known charity that it makes no difference to the total. If I contribute £1,000 I will be a lot worse off and the poor and hungry hardly any better off."

Such a "realist" might pay a token £10, to get rid of the collectors from his doorstep, but that will be all. The problem with the Kantian principle is that those who follow it lose out, relative to those who do not. The problem with the hard-boiled "realist" is that he is devoid, not of benevolence or sympathy, but of any trust whatever in his or her fellow citizens, all of whom are regarded as likely free riders.

The two positions have quite important political implications. The "realist", who is also benevolent, is likely to write learned articles proving that charity will always be insufficient. He will want to use the tax system and the welfare state to make sure that all pay their share and there are no free riders.

To the hard-boiled realist, welfare is a "public good" — by which he means something that all or most citizens would want to provide, but which it

will not pay them as individuals to do unless they enforce a binding contract on each other. The "Kantian" position will place its hopes on people being willing to behave as if they were bound by contract. If enough people make this assumption, it becomes self-reinforcing, and the compulsion and bureaucracy of taxes and state transfers become less important.

The behaviour of most people is, I would guess, in between the extremes of the "realist" and the Kantian, but nearer, I am afraid, to the realist. A typical citizen will be prepared to go some way towards doing what he thinks everyone ought to do as part of a social contract, but not very far. To this hypothetical number, the "realist" might be prepared to give his token £10, the Kantian his "moral" £1,000, and the typical flesh-and-blood human being, say, £100.

Such a magnitude fits in with the observation that people are prepared to make some sacrifice for charity, without insisting on reciprocal behaviour by others, but not so much that it makes a noticeable difference to their standard of living, so as to, for instance, deprive them of a holiday.

The difference between the hypothetical £100 which people will actually contribute and the £1,000 they would be prepared to contribute with strict assurances of others' good behavior, is the justification of a good deal of the Welfare State.

But the fact that the Kantian motive operates to the extent of, say £100 is to be welcomed.

and the supplementary benefits of voluntary private charity should be encouraged, rather than treated with the suspicion with which they are treated by some extreme Welfare State supporters.

The closer together are different people's philanthropic preferences, the less illiberal is the use of the political system. A major problem arises when citizens differ markedly on what they would give, or how they would give it, even on the Kantian assumption that their fellow citizens followed suit. A political enforcement mechanism cannot cater for those who are more or less philanthropic than the norm, or who have way-out ideas about the form the philanthropy should take.

I am not going to enter the debate about whether voluntary charity is *per se* more worthy or more effective than state-provided welfare. But the "desire to give," though inadequate, is a valuable supplement to the official welfare services, and it should be encouraged rather than stifled.

So far charity and good causes have been deliberately discussed in general terms to throw light on the logic of "giving" and to show the point of collective action to implement more effectively the philanthropic desires of individuals.

But, it is sometimes said, state retirement benefits or health services are acts of paternalism. "If a person wants to insure against old age or ill health he should do so himself," runs the

argument. "State Social Security is forcing people to take out insurance policies or purchase annuities against their own will."

If we look at it from the point of view of the taxpayer who does not happen to be sick, it is not at all obvious that state arrangements are paternalistic. Consider a retired person who has omitted to invest in a pension scheme, or another person with an expensive illness who has failed to take out medical insurance.

Would fellow citizens of these unfortunates want them to starve or have their ailments untreated? They would surely want at least minimum assistance to be provided; and that minimum would itself rise with the general standards of the society.

State health or Social Security is thus not the imposition of compulsory insurance, but an expression of the benevolent instincts towards their fellow creatures which most human beings have.

The non-paternalist philanthropic justification of state welfare, which centres around the free rider problem, does suggest that it would be as well to rid ourselves of the myth of National Insurance and have a straightforward Social Security tax instead.

There is now no actuarial relationship whatever between the benefits a person may draw and his National Insurance contributions.

Political economy of compassionate individualism

tribution; but the myth of insurance has been maintained for moralistic reasons. A philanthropist who is also a libertarian would see nothing moral in the myth at all and should want to make the pattern of taxation and redistribution as transparent as possible.

It is possible to combine philanthropy, even when collectively exercised, with the individualist judgment that people should judge their own interests and live their own lives. But the political economy of compassionate individualism—or if you like "Thatcherism with a human face"—is still largely to be written.

Lombard

The play-actor's crusade

By James Buchan

THIS TEXT, apparently a fragment of a larger work, was discovered wrapped round a discarded bookworm on a park bench in Wuppertal. The style suggests a Grub Street imitator of Edward Gibbon.

The Play-Actor now exulted in his pride; and not the pleas of the Old World, nor the obstructions of the elected Parliament of the New, nor even his own advancing years, could bend him from the preparations for the Crusade.

Had ever doubts been entertained behind that noble brow, they were smoothed away by ambitious soldiers of fortune or unscrupulous prelates, who bade him establish abroad that manly authority long mortgaged in the Capital to unruly women-folk and the intrigues of Freedmen. His love of country found a buttress, his piety support.

Vain were the embassies from the free provinces bordering Muscovy that the achievements of a patient diplomacy, which had brought the Empire's first Ambassadors to a debate at Geneva, were endangered no less by the Play-Actor's obduracy as by the morbid and phantastic fears of the Tyrant; that the campaign to the South was folly; that the expenditure on the Crusade denied capital to merchants and manufacture; and that their bewildered nations, on whom the new Legions were to be quartered, were unwilling to shoulder the burden of Peril so that the sanctuary of the Capital be spared.

The Legions crossed the Rhine and established winter-quarters; but they were received not with the thanks protectors may expect but the brickbats and sullessness due Adventurers. Their arrival caused the Muscovite Ambassador summarily to quit Geneva. Amid the uproar, the Governor of the province rose in Parliament to

castigate both this precipitate action and his people's ingratitude.

While the provincial delegations lolled in the Forum's colonnade, the Play-Actor discreetly despatched an expedition to the Antilles, hoping thereby to discover before the Public the Tricks of Muscovy even amid Tigers and Banyans.

Victory was speedily achieved, a Triumph voted, the Play-Actor's Cer richly decked; but the applause of the mob turned to jeers when the booty revealed not the bowed armies of Muscovy but half-naked savages who had fought with spite to defend their island Paradise and for whom manacles were neither novelty nor humiliation.

From Muscovy, news was seldom and obscure; it was said the Tyrant lay dying, the Apparatus of Tyranny idle; Boyars whispered at the Bed-Post or despatched across the freezing plains contradictory messages bearing the Tyrant's purported seal, prophesying war or extending the hand of peace.

Wise men noted portents of Catastrophe. In the taverns and Hammams of the Play-Actor's Capital, plague broke out, striking without mercy or distinction et young men of military age; in the eastern provinces, women took to dancing in wanton congregations of their sex, treading to the measure of certain raddled matrons who had once plied the Play-Actor's trade. In the great German forests, boughs that had sheltered Arminius and had heard before the clangour of battle, began to shed their needles out of grief; in England, a female was elected Consul.

In these pregnant times, good men kept silent while young Tribunes and dissenting Priests, for love of God's peace or Muscovite coin, urged on the mob to ever new insolence.

Letters to the Editor

Urgent need for considered change in the CAP

From Mr P. Richardson

Sir,—In recent weeks Samuel Brittan has campaigned against the Common Agricultural Policy. Many of his arguments cogently reflect a very real concern that this policy is both wasteful and in urgent need of modification. Thus far, most farmers and politicians in Britain would probably agree with Mr Brittan. Regrettably, however, in his enthusiasm to destroy a policy which he believes a bad one, he has allowed emotion to dictate his arguments and his clearly limited knowledge of agriculture to lead him to extreme conclusions.

His research on the agricultural issue has clearly been unduly influenced by two recent reports which have been distinctly biased to one side of the argument (October 13, October 27, December 8 and in a Lombard column during November). There is no reference to a further study recently published by a senior agricultural economist from Cambridge University which refutes many of the assumptions and errors made in the previously mentioned documents.

No policy exists in isolation, and the history of, and reasons for, the CAP are worthy of consideration by anyone advocating change. Change is urgently required—that is certain, but its advocates should be political realists and not, as in the case of Mr Brittan, economic Luddites.

To suddenly change the volume and direction of price support to British agriculture

would be to sacrifice much of the massive increase in efficiency recently achieved by the industry. I write (paradoxically to some readers perhaps) as a pig producer—one of the sectors of agriculture largely unprotected and suffering dreadfully in recent years from the imbalance of support systems for other commodities (especially cereals) within the Community. Because of this, rather than in spite of it, I am acutely aware of a balanced approach that must be adopted to agricultural support if unforeseen damage is not to be done to all or parts of the industry.

The latest American set-aside programme, which offered an alternative strategy to controlling surpluses turned out to be extremely expensive to taxpayers, and because of its "knock out" effect in reducing trade through the system of its quotas (not just farmers), it engendered resentment well beyond the farm gate.

There is no doubt that some effective methods of self-regulation of supply must now be devised for most EEC agricultural products, and especially for those in surplus. The constant paradox for policy makers is how to reconcile this aim, with the further need to ensure a thriving population in the countryside—and especially in those less favoured areas which, even now, are suffering depopulation and decline. Mr Brittan also identifies this major problem, but he does not offer solutions for tackling it any more than the present price-based CAP system does.

Neither does he give sufficient credence to the strength of support for the CAP within the Community. If he wishes for withdrawal from the EEC then he must say so, but he is being naive to expect to stay in, yet have the agricultural support system of his choice, bearing in mind the roots of the EEC.

The myth of "world prices" reflecting the true cost of food to British consumers were there no tariff barriers, is (to paraphrase Mr Brittan), a "fiscal illusion". World prices are simply a measure of the value of marginal production and are affected not only by the rise of demand but by the diverse political motives of many exporting nations. By the same token, the well-versed demands by farming leaders that world prices have no relevance to UK food prices is similarly misguided. Answers to the present problems of European agriculture cannot be simplistic or clear cut.

The relative position of British farmers to their counterparts in Europe is a source of concern, particularly now that changes of policy of some kind are imminent. The British are adept at stabilising themselves in the bank of our recent industrial history shows. We should be wiser to temper our public views on CAP policy with a pragmatic born of the knowledge that the most artful compromise wins the day.

Philip Richardson, Monor Farm, Downham, Wymondham, Norfolk.

Overcapacity in electricity

From Dr R. Papadopoulos

Sir,—Mr Peter Kremer (December 13) draws attention to the contradiction between the overcapacity in the electricity supply system and the "dramatic" success of the load management measures, applied by the Central Electricity Generating Board in reducing the swing between minimum and maximum demand.

He might as well have pointed out that the success originates in the consistent under-estimation by the CEBG planners of the effect which measures as simple as switching off those appliances for reasons hinted at by Mr Kremer—were bound to have on maximum demand growth. Viewed in this light the success becomes part of the problem as well as offering a partial explanation for it.

Even so this factor, though not insignificant, does not seem to be decisive. From 1962 to 1972 the average annual growth of electricity sales was about twice that of maximum demand; from 1972 to 1982 the two rates, at 0.8 and 0.5 per cent respectively, compare closely. More significantly, and against the CEBG success in promoting night consumption, electricity sales to the domestic sector of the economy show an average annual fall of 0.4 per cent; at the same time gas sales registered an average annual growth of 5.6 per cent over the last ten years.

In the light of these statistical trends I am inclined to suggest that it is the rapid and continuing replacement of electricity by gas, particularly in the heating sector, which offers a more comprehensive—though still partial—explanation for the overcapacity problem, apparent or real.

(Dr) Raphael Papadopoulos, Polytechnic of the South Bank, 105, Borough Road, SE1.

From Mr G. Hockley

Sir,—Peter A. Kremer (December 13) tries to excuse the overcapacity of the CEBG by pointing out its success in reducing the swing between minimum and maximum demand. Since Dinorwic and other pumped storage systems take many years to plan and construct, this factor should already have been taken account of in estimating capacity and can not be used to justify the present level of generating plant.

G. C. Hockley, University College, PO Box 78, Cardiff.

Competition in transport

From the Editor, Modern Railways

Sir,—The letter (December 14) from Lord Shepherd, the chairman of the National Bus Company, exhibits some muddled thinking on competition in inland transport.

Lord Shepherd erroneously assumes that British Rail's highly successful low-price Saver fares represent an example of uneconomic pricing used as a weapon to constrain coach market share. This is not the case; BR has carefully calculated the resource costs of the extra capacity necessary to cater for Saver traffic, and the Saver scheme shows a net increase in revenue as well as increased passenger carryings. While it is true that BR's InterCity sector is in receipt of a small part (less than a

fifth) of the \$820m public service obligation grant paid by the Government to BR, Lord Shepherd is deluded if he thinks this is the only subsidy within the long-distance travel market.

Others include the tax subsidy on company cars (some £2bn pa), cross-subsidies from profits made in British Airports Authority duty-free shops to charges to airlines for use of RAA airport facilities—and National Express has yet to prove that it is adequately paying for its track (coach licences cost around the same as those for a private car) or many of its terminals (in which it borrows space from local authority-subsidised National Bus subsidiaries). There certainly is not inter-modal free competition within this Byzantine tangle!

Furthermore, we cannot be sure that more competition is

necessarily beneficial. There is evidence that since deregulation in 1980 coach operation has been intensified on the main inter-urban routes already well served by rail at the expense of more isolated communities. Recent research has identified a significant number of towns in south west England which have lost a daily coach service—a far greater number, in fact, than in the period of overall decline before deregulation.

It should be remembered that the railway has relatively low marginal costs, so the transfer of coaches (likely to remain the low average cost mode) to the inter-urban routes that has occurred since deregulation may have had deleterious effect on the allocation of the nation's scarce transport resources.

James Abbott, Terminal House, Shepperton, Middlesex

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Dutch set to block sale of submarines to Taiwan

By Our Foreign Staff

DUTCH-TAIWANESE trade and political relations received a serious setback yesterday when the Dutch Government refused to grant export licences for the sale of submarines to the island nation.

Two submarines, ordered by Taiwan two years ago to build up its naval forces, are under construction in the Wilton Fijnroord shipyards in Rotterdam. Two more have been ordered. It was unclear if the government decision affected the original order.

The centre-right Government's decision came after two days of talks and intense lobbying pressure by Taiwanese government and business interests for the Dutch to support the deal. Parliament is expected to go along with the government decision to refuse the export licence.

"We are sure that giving this licence would have serious consequences for the relations between the Netherlands and China," Mr. Gijb van Aardenne, the Economics Minister, said in a letter to Parliament. "It would mean a break in the normal relations with a country that takes a very prominent place in the world."

The Christian Democrats, senior partners in the current governing coalition under Prime Minister Ruud Lubbers, are split over the deal. The junior partner, the conservative Liberals, favours it, but the Labour Party, the largest in Parliament, is against it.

Taiwan, which views the Netherlands as a "window to the West" recently pledged to increase Dutch imports by 40 per cent annually and has said it is prepared to pay up to £1.3bn (\$967m) in orders for surface vessels.

The initial submarine deal has precipitated tighter bilateral economic ties, including direct air services, despite prompting continuous debate in the Dutch Parliament, which has seen its diplomatic relations with China deteriorate as a result.

The cancellation of the deal, should it be approved by Parliament, would be a serious blow to Dutch shipyards. Wilton Fijnroord argued that the most recent order for the submarines would safeguard the jobs of nearly 3,000 workers.

Olivetti and AT&T forge major link

Continued from Page 1

ment each other in both product and technology areas. Olivetti is expected to market in Europe AT&T's PABX digital telecommunications products as well as telephone terminals, tele-typewriters and software.

Sig De Benedetti said the new partnership should be seen in terms of "the global competition among data processing producers" which would require growing financial resources and intensive commercial and research investment in the next few years. The £280m AT&T was spending on its 25 per cent stake represented the largest minority investment by an American company outside the U.S., he said.

He had informed Canada's Northern Telecom that its contract with Olivetti would be allowed to lapse in the next 12 to 18 months.

The new alliance, he noted, had the approval of the Italian government and had "a political implication." It would have been inconceivable only a few years ago for a U.S. company to invest so much in Italy, and the deal recognised Olivetti as "the established European leader in the field."

The alternative to the agreement would have been for Europe to become a land of domination for U.S. and Japanese multinationals.

Brazil cuts subsidised credit in key sectors

By Andrew Whitley in Sao Paulo

THE BRAZILIAN Government has approved an exceptionally tough austerity budget for 1984. Its key feature is that virtually all subsidised credit for the key agriculture and export sectors of the economy - a prime source of public spending - is being eliminated, at a stroke.

The decisions of the National Monetary Council, whose meeting on Tuesday is being described as the most important in years, are likely to greatly Brazil's foreign creditors while deepening the three-year-old domestic recession.

In accordance with the target of reducing the rate of money supply growth to 50 per cent next year, compared with 95 per cent in 1983, credit expansion from the monetary

authorities, the central bank and the state-owned Banco do Brasil, will be held to 38.9 per cent.

The Government has also responded to the way triple-digit inflation is fast eroding the value of the currency by introducing two new large banknotes, worth Cr 10,000 and Cr 50,000. The largest note currently in circulation - Cr 5,000 - is today worth just over U.S. \$5 at the official rate of exchange.

The central bank's smaller currency unit which has been a useless anachronism for the past few years, is to be abolished.

Subsidiaries of foreign companies based in Brazil have not escaped the tightening of the government tax net. Tax payments on the

remittance of profits and dividends have been brought forward by several months, raising the overall costs of companies concerned.

Banks, both state and privately owned, are affected by the decision to increase the existing panopoly of controls on lending, designed to limit the growth of credit, while liquidity has been largely reduced.

Additional, more concrete measures, including higher corporate taxes, may be enacted next Monday after a second meeting of the National Monetary Council.

At this week's meeting it was agreed that as from the beginning of next year most of Brazil's farmers would have to pay a fully inflation-adjusted rate for bank loans.

Arab bid for Kleinwort stake boosts UK bank share prices

By David Lascelles in London

BRITISH BANKING and finance shares soared on the London Stock Exchange yesterday as a group of Arab investors made a surprise offer to buy up to 10 per cent of the stock at Kleinwort Benson Ltd., the UK's largest merchant banking group.

The Arabs, who were not identified, said through their brokers, L. Messel and Co., that the purchase was for investment and was not a prelude to a full-scale takeover. However, the news triggered another bout of takeover fever in financial stocks and pushed prices up by 5 per cent or more in some cases.

Kleinwort's price rose 5 1/2 to 418p, leaving it well above the Arabs' offer of 395p. As a result, the

group acquired only a small fraction of the 5.4m they wanted. According to some estimates, they bought only 200,000 for a total cost of some £750,000 (\$1,060m).

But the Arabs had been building up their stake in Kleinwort for several weeks, and yesterday's purchases left them owning 5.2 per cent of the company - enough to force a disclosure.

Mr Philip Watson, a director of TWT Investment, the Netherlands Antilles company that made the purchases on behalf of the Arabs, said last night that he would be advising them "to let the dust settle."

But, he said, the next step, if any, was up to them.

Kleinwort said it was aware who

the purchasers were, describing them as clients of long standing who knew the bank well. An official welcomed the interest of long-term investors.

The Arabs are believed to be a group of families from one of the Gulf states who believe the UK finance industry will benefit from deregulation and rapid technological change. They first bought Kleinwort stock in September when the price fell sharply after disappointing interim results, and have been accumulating it steadily.

Kleinwort's shares are quite tightly held, and there is a link to how much stock can be bought on the open market. The Kleinwort family trust holds 25 per cent.

OECD says upturn in Europe will lag behind Japan, U.S.

Continued from Page 1

much less than the 5-7 per cent typical of earlier recoveries. In spite of a general improvement in the world economy, he said, "this relative lack of vigour may persist over the next 18 months."

In Europe, fiscal policies remained restrictive so that the increase in demand generated by the U.S. recovery and the rise in consumption, fuelled by a running down of savings, more than accounted for the growth expected next year.

In the U.S., the OECD says, efforts will have to be made to tackle the federal deficits projected for future years if a clash between private and government demands for credit is to be avoided.

In the short run, it points out that the deficit is helping recovery in Europe and Japan by providing an increased market for exports. The high value of the dollar has been increasing the competitiveness of other countries' exports in relation to the U.S.

A reduction of the U.S. deficit, especially if accompanied by a falling dollar, would have adverse consequences for output in Europe. The

OECD believes it would be important for European countries to act, perhaps by lowering interest rates, to prevent a fiscal tightening in the U.S. from dampening their chances of recovery.

The OECD says the UK's economic recovery will continue next year, but more slowly than the UK Treasury expects. The Treasury believes an annual growth rate of 1.1 per cent over 3 per cent will be reached in the last six months. The OECD thinks recovery will slow after the summer to an annual growth rate of 1.1 per cent.

The OECD is more pessimistic than the Treasury about the prospects for UK consumer spending next year and about the extent to which stocks will be rebuilt.

For the year as a whole, the difference between the Treasury's November forecast and the latest from the OECD is well within the margins of forecasting error. The Treasury expects UK output in 1984 to be 2.8 per cent higher than in the current year. This is about 1/2 per cent more than the OECD is predicting.

The OECD's view that Britain's

recovery will start to tail off from the middle of the year is contrary to that of the Treasury, although the OECD is supported by several outside forecasting organisations.

The OECD broadly agrees with the Treasury that the UK inflation rate is likely to continue to fall, although its predictions are on a somewhat different basis.

● A huge discrepancy in the world's balance-of-payments accounts can be partly explained by large, unrecorded payments by oil-exporting countries for services, the OECD believes.

It says most of the unexplained imbalance in the world's trade account related to invisible earnings. The world's total recorded deficit on invisibles rose from \$41bn in 1979 to \$114bn in 1982.

In that period, it thinks that Opec countries substantially increased their purchase of specialised services (such as construction and engineering) from OECD countries. But between 1981 and 1982, for example, a rise of \$20bn of Opec spending on such services was not matched by a rise in recorded receipts by OECD countries.

U.S. lawyer buys BL offshoot

By Ian Rodger in London

AN AMERICAN businessman has bought for an undisclosed cash sum Aveling-Barford, the loss-making construction equipment subsidiary of BL, the UK state-owned motor group.

Mr Adrian Eschallier, a Philadelphia attorney-consultant, said he intended to seek further growth in overseas markets for the British company and to expand its product range.

Mr Eschallier, aged 43, said he was particularly keen to develop sales in North America. Aveling exports more than 80 per cent of its production, but has only modest sales in North America.

Mr Eschallier replaced several

Western, the natural resources group of the U.S. conglomerate, from 1974 to 1978. He may seek potential customers for Aveling equipment in the mining industry.

Aveling manufactures dumper trucks, wheeled loaders, road rollers and motor graders.

The company was acquired by Leyland Motor Corporation in 1967 and became part of the special products group of BL in 1977.

It fell into loss in 1978, and, in 1979, BL decided to sell it and several other non-automotive businesses. Aveling lost £24m (\$34.1m) in 1979 and new management was brought in to rationalise the operations. Sales were about £33m.

Several potential buyers have looked at the company in the past four years, including J.C. Bamford Excavators, the British maker of excavators and backhoe loaders, the now bankrupt IBH group, of West Germany and, more recently, Frederick Parker, the UK crushing plant maker.

The Bamford sale completes the planned disposals by BL. Others that have been sold since 1980 include: the Alvis military vehicles business; Coventry Climax, the fork lift truck manufacturer; Prestcold, a refrigeration equipment contractor; Aveling Marshall, an agricultural tractor maker; and Goodwin Barsby, a maker of asphalt processing plant.

Salvador minister quits

By Tim Coone in San Salvador

SR JOSE PACAS, the El Salvador Economy Minister, has resigned. In his letter of resignation to Dr Alvaro Magana, the president, he said "there exist aspects of economic policy with which, I regret, I am not in agreement."

The disagreement appears to have centred on tax changes to be introduced in January, especially the introduction of a 14 per cent "value-added tax." The changes have been introduced by President Magana through the Treasury and were opposed by Sr Pacas.

Although aimed at dealing with a growing fiscal deficit, the tax

changes are expected to increase inflationary pressures and social tensions. Defence is due to increase to 23 per cent of government spending in 1984 as a result of the civil war. Tax receipts have continued to fall as a result of a sustained decline in economic activity since 1979.

A prices and incomes policy was introduced in December 1980. This has controlled salary increases effectively but has none the less allowed prices to rise an average of 15 per cent annually in the past three years.

Deadline imposed on further bids for Eagle Star

By Charles Batchelor in London

THE CITY of London Takeover Panel has imposed a deadline of December 30 for any further bids from the two contenders battling to take over Eagle Star Holdings, the UK insurance group.

BAT Industries, the British-based tobacco company, has a £934m (£1,333m) cash offer on the table compared with the £920m bid by Allianz Versicherung, West Germany's largest insurer, in the biggest takeover battle in cash terms to take place in Britain.

The 11-strong regulatory panel spent much of yesterday hearing the views of the three companies before deciding against allowing an offer to be made after the normal 48-day deadline. This has been permitted in the past when only one bidder was present and a higher bid would secure a recommendation of acceptance from the target company's board.

The panel described its decision as embodying a "minor amendment" to its usual approach. Lazard Brothers, both Eagle Star and BAT's merchant bank adviser, expressed satisfaction with the outcome but Morgan Grenfell, which is acting for Allianz, said it was surprised at what it called a "major alteration" to the panel's rules.

Morgan Grenfell said: "We are slightly surprised that the panel is taking a route which involves sealed tenders being made on a final closing date in a major bid of this sort."

This means that the Eagle Star recommendation of the BAT offer now has less weight and turns it into just a question of money. This is to our advantage but I am not sure this is the right way to bring the whole thing to a close.

It said: "It has become a sort of Russian roulette."

Any increased offers must be lodged with the panel by 4.30pm on December 30 and announced before 5pm that day. This represents a minor amendment to the rule that bids would normally have to be posted by that time.

Allianz is committed to produce a statement today on its intentions. It is likely to include an increased bid.

The current BAT bid values each Eagle Star share at 675p cash against the 665p cash offer from Allianz.

Italians to revise Soviet gas contract

ROME - The state-controlled energy group Ente Nazionale Idrocarburi (ENI) has been authorised by the Italian government to renegotiate a long-pending contract for importing natural gas from the Soviet Union, government officials said yesterday.

Any agreement reached by ENI will be subject to final approval by the Government.

The Italians had signed a preliminary \$1.5bn agreement in January 1982 for 280bn cubic feet of gas a year for 20 years. In the wake of anti-Soviet sentiment, the Italians shelved the contract, which recently expired.

The negotiations between ENI and the Soviet Union also involve \$2.1bn worth of supplies by Italian companies to build a gas-pipeline from Siberia to Western Europe. AP

U.S. recovery continues

Continued from Page 1

er price index for November, also published yesterday, confirmed that inflation was continuing to be held at a low level - "the best Christmas present ever" for Americans, in Mr Reagan's words.

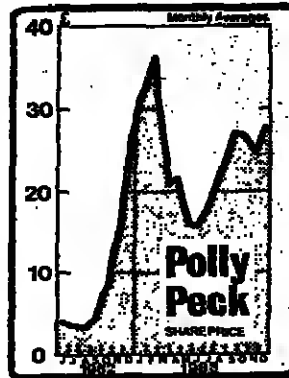
The November price increase, at 0.3 per cent, was the smallest since June and less than October's 0.4 per cent. It represented an unadjusted increase of 3.2 per cent over the past year, and a compounded annual rate of 4.9 per cent, based on the three months ending in November, the Labour Department said.

Another indicator showed corporate profits running at a seasonally adjusted annual rate of \$248.4bn in the third quarter, or an increase of 13.3 per cent over the second quarter after tax.

The 4.5 per cent GNP estimate may well be adjusted when the final figures are available. For the moment, however, it is the same as the rough forecast that the Administration is using for next year's growth as it prepares its budget for fiscal 1985, which begins on October 1.

THE LEX COLUMN

A collect call from Olivetti



Olivetti's frog-into-prince transformation over the last five years is one of the most remarkable recovery stories in European industry. It would have taken something beyond optimism to forecast in 1978 that a moribund producer of mechanical typewriters would emerge as one of Europe's leading manufacturers of electronic data processing equipment. So the news that AT&T is shelling out \$260m for a 25 per cent stake in Olivetti comes as scarcely more than the happy ending which is demanded of a fairy tale.

Olivetti's balance sheet has, in any case, been improving almost out of recognition, but the cash injection will reduce debt from about 100 per cent of book net worth - in the last balance sheet - to something in the region of 40 per cent. But the immediate financial impact of the deal is probably of secondary importance; the two-way marketing and technology agreements with AT&T should mean that Olivetti remains a serious international presence in office automation as competition heats up over the next few years.

Initially it is likely that Olivetti will become AT&T's conduit into the European market for PABXs and other telecommunications products. This parallels the joint venture which AT&T set up with Philips in the summer, to market public switching and exchange equipment. At the same time, Olivetti will fill in some of the gaps in AT&T's office automation spectrum; sales figures of \$250m for 1984-85 were getting an airing in Rome yesterday.

To AT&T, which could almost afford to buy up the whole of the Milan stock exchange from petty cash, the price at which it is buying into Olivetti will not seem exorbitant. Yet at £4,300 a share, the U.S. levian is paying a premium of more than a third over the price at which Mr de Benedetti was able to retrieve the former ST Gobain holding only a few weeks back.

Eagle Star

By imposing a guillotine on the Eagle Star bids, the Takeover Panel has rescued its code from possible abuse, and avoided the need for further amendments to an already weighty document. Under the existing rules, BAT might have been able to increase its offer after the

usual deadline - known to the cognoscenti as Day 46 - by securing an Eagle Star board recommendation. This stratagem, depriving Allianz of the right to reply, would have been palpably unfair.

Yet, while the insistence that all offers must be made by December 30 is fair to both parties and will bring this protracted affair to a conclusion, it is obviously unsatisfactory that the future ownership of an important British company should be determined by a last-minute shoot-out.

There is little point in the Takeover Panel's trying to enforce a more sensible auction through the rule book. In future, however, it may see the need to exercise rather more firmness in the early stages of a bid and insist that an informal auction schedule is adhered to.

It is still possible, of course, that the takeover will be resolved before December 30. Allianz is expected to make another offer today. Yet the betting must be that Santa Claus will save his most bounteous present until after Christmas.

Lloyds leasing

This week's cancellation of the £26m oil rig by Britoil puts the financier, Lloyds Bank, in a doubly awkward spot. Not only does it have to plunge into a legal wrangle to regain some £40m already disbursed to British Shipbuilders, but the bank's leasing programme is thrown into disarray, with uncomfortable implications for its tax charge.

Most of the £40m was paid over in 1982 and, of course, Lloyds will not retain the tax allowance on the payments it thought it had made in that year. It is by no means certain that the bank will be allowed to

switch the funds to the purchase of other assets and requalify for the allowances at this late stage.

Quite apart from the specific problem, Lloyds must now set up a series of deals to cover the £98m underpinning to its leasing programme over a period of years that the oil rig represented. The dilemma illustrates the dangers in going alone "big ticket" deals of this nature. A financial package of this size, constructed through direct bank credits would almost always have been syndicated to spread the risk.

Apparently this practice died out in the leasing industry due - at least in part - to the legal complexities of structuring a multi-party deal. After the British cancellation, new efforts are likely to be made to create a framework for syndicated leasing.

It may not be entirely coincidental that leasing rates, which were very favourable to lessors in the early autumn, have dropped back again in the last couple of months. As a major player in the market, Lloyds' sudden need to find fresh business must have helped to tighten the market. Moreover, the obvious predicament creates the risk that its bargaining position in current deals may be weakened and leasing profitability reduced.

Polly Peck

Polly Peck's 1983 accounts are a major improvement on the previous set - albeit not a difficult feat. That said, the geographical breakdown raises more questions than it answers, with sales by this international fruit marketer in the UK and Europe apparently producing a loss, and the more local business, in the eastern Mediterranean, generating the bulk of the profit.

Rapid expansion - along with exchange losses - have caused a slight cash outflow, and a larger gap this year is to be plugged with a £5m placing of shares. With the growth in volume, average margins have fallen; investor interest this year will centre on the margins which can be obtained from new projects. Polly Peck is diversifying away from fruit, but its exposure to Turkey is being deepened. And after three years of strong growth, the economy looks set to enter a period of austerity - undermining some of the more stratospheric growth projections.

Norcros p.l.c. pre-tax profit up 11%

Ken Roberts, Chairman, reports:

- Confidence in achieving the forecast pre-tax profit for the current year.
- Interim dividend up 10.6% to 2.3p.

Financial summary for the half year to 30th September 1983

	1983-4	1982-3	
	Half year	Half year	Full year
External sales	£164.7m	£166.4m	£355.5m
Profit before taxation	£13.9m	£12.5m	£28.3m
Earnings per ordinary share	7.76p	6.51p	15.97p
Sales per employee	£24,066	£21,642	£24,049

Copies of the interim report and corporate brochure are available from:

The Company Secretary, Norcros p.l.c., Spencers Wood, Reading RG7 1NT.



World Weather

C - 1			C - 2			C - 3			C - 4			C - 5			
Algeria	F	12	54	London	F	12	55	Moscow	F	12	55	Sydney	F	12	55
Alexandria	F	18	64	Lyons	F	12	63	Seville	F	12	63	Taipei	F	12	63
Amman	F	18	64	Paris	F	12	63	Tokyo	F	12	63	Tokyo	F	12	63
Baghdad	F	18	64	Rome	F	12	63	Yokohama	F	12	63	Yokohama	F	12	63
Bahia	F	18	64	Seville	F	12	63		F	12	63		F	12	63
Bombay	F	18	64	Stockholm	F	12	63		F	12	63		F	12	63
Buenos Aires	F	18	64	Taipei	F	12	63		F	12	63		F	12	63
Calcutta	F	18	64	Tokyo	F	12	63		F	12	63		F	12	63
Cairo	F	18	64	Yokohama	F	12	63		F	12	63		F	12	63
Cardiff	F	12	54		F	12	54		F	12	54		F	12	54
Chongqing	F	18	64		F	12	54		F	12	54		F	12	54
Cebu	F	18	64		F	12	54		F	12	54		F	12	54
Dacca	F	18	64		F	12	54		F	12	54		F	12	54
Dhaka	F	18	64		F	12	54		F	12	54		F	12	54
Hankow	F	18	64		F	12	54		F	12	54		F	12	54
Hong Kong	F	18	64		F	12	54		F	12	54		F	12	54
Kobe	F	12	54		F	12	54		F	12	54		F	12	54
Kuala Lumpur	F	18	64		F	12	54		F	12	54		F	12	54
London	F	12	54		F	12	54		F	12	54		F	12	54
Lyons	F	12	54		F	12	54		F	12	54		F	12	54
Manila	F	18	64		F	12	54		F	12	54		F	12	54
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Moscow	F	12	54		F	12	54		F	12	54		F	12	54
Mumbai	F	18	64		F	12	54		F	12	54		F	12	54
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Tokyo	F	12	54		F	12	54		F	12	54		F	12	54
Yokohama	F	12	54		F	12	54		F	12	54		F	12	54

Headings of mid-day Zurich

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893	C - 894	C - 895	C - 896	C - 897	C - 898	C - 899	C - 900	C - 901	C - 902	C - 903	C - 904	C - 905	C - 906	C - 907	C - 908	C - 909	C - 910	C - 911	C - 912	C - 913	C - 914	C - 915	C - 916	C - 917	C - 918	C - 919	C - 920	C - 921	C - 922	C -
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SECTION II - INTERNATIONAL COMPANIES FINANCIAL TIMES

Thursday December 22 1983



Trading in Cascade Brewery suspended

By Michael Thompson-Noel in Sydney

SHARE dealings in the Hobart-based Cascade Brewery - subject of a takeover battle involving Mr Ron Brerley's Sydney-based Industrial Equity (IEL) - were suspended yesterday at the request of Australia's National Companies and Securities Commission.

The Commission has been inquiring into the battle for Cascade since last week, when two Adelaide groups, B. Seppelt, a wine maker, and C.C. Bottlers, a soft drinks group, acquired a 25 per cent stake in Cascade from Carlton and United Breweries (CUB) only hours before Elders-IXL gained control of CUB. The Commission also appears concerned about IEL's use of an associate company, Acme Holdings, for buying Cascade shares above the normal IEL offer price of AS\$3.50 a share. The Adelaide groups are offering the same, valuing Cascade at AS\$4.25 (US\$3.75).

● The struggle for Brisbane Television (BTV), operator of Queensland's most profitable TV station, continued yesterday when Television Wollongong Transmissions (TWT) raised its bid to AS\$7.50 per share, valuing BTV at AS\$40.8m. Rival bidder John Fairfax is expected to match the latest offer this morning. Fairfax has 42.7 per cent of BTV, while TWT holds 30 per cent. The key holding is the 7 per cent held by Britain's Associated Newspapers.

Cigna in \$215m bid for AFIA

By Paul Taylor in New York

CIGNA, the major U.S. insurance group formed last year through the merger of Connecticut General and INA corporation, said that it plans to pay \$215m for AFIA, an international insurance underwriting association.

The deal, which if successfully completed would represent a major expansion of Cigna's international business, is subject to various approvals by U.S. and foreign regulatory authorities, and to a definitive agreement being signed before the end of January.

AFIA provides property, liability, marine, accident and health, surety and life insurance to customers in about 130 countries.

Mr Robert Kilpatrick, Cigna president and chief executive, said: "The proposed acquisition of AFIA is an important strategic step for Cigna. This substantial addition to our international presence gives Cigna the opportunity to become one of the world's leading providers of full range insurance and financial services."

Enthusiastic response to Renong issue

By Wong Sulong in Kuala Lumpur

RENONG BERHAD, the former London Incorporated Tin Mining Company, now under Malaysian control and expanding rapidly into property development, has received an enthusiastic response from the public for its share issue.

The offer of 8.25m shares of 50 cents each, priced at 80 cents, was over-subscribed 55 times, attracting applications for 350m shares. Directors have given 97 per cent of the allotment to applications for fewer than 10,000 shares.

Another 2.5m shares were reserved for Malays, employees and directors.

Renong began as a tin mining company in 1913, exhausted its tin deposits in 1976, and transferred its domicile to Malaysia in October last year.

Wages offer by Republic Air
By Our New York Staff
REPUBLIC AIR of the U.S., which lost \$115.1m in the first nine months of this year, is proposing a "partnership plan" under which employees will swap further wage concessions for an increased equity stake in the company.

The scheme presented to the airline's 14,000 employees includes profit-sharing provisions under which they will receive shares. Republic employees already hold almost 20 per cent of the airline's stock. The latest proposals could increase this to more than 30 per cent.

John Makinson reports on a "small-change" investment in the London securities market

Prudential decides on the acorn route

BY JOHN MAKINSON IN LONDON

FOR THE Prudential Insurance Company of America, the creation of a joint venture securities operation in London is a small-change investment. London may be one of the world's principal capital markets but, by international standards, its participants are Lilliputian. Gulliver has adjusted his sights accordingly.

The largest insurer in the U.S. is initially investing less than £500,000 (\$710,000) in London through its New York securities subsidiary, Prudential-Bache.

In contrast to Citicorp and Security Pacific, U.S. banks which have taken direct stakes in British stockbroking firms, Prudential-Bache has opted to develop its own business in partnership with two corporate finance executives from James Capel, a leading London stockbroking business.

By going the acorn route, Prudential is apparently prepared to accept that it may make a slower start than a company buying into a ready-made operation. In return, it has a lower capital exposure in the early days and a greater measure of control over its own destiny.

The U.S. group has identified continental equity research and corporate finance as its two priorities in the London market.

According to Mr Jim Barton, who heads the securities company's international and commodity division

in New York, the new venture will initially highlight research in the international oil, high-technology and health care industries. The size of Prudential-Bache's client list (over 700,000 accounts) means that analysts will need to concentrate on blue-chip investments with a high market liquidity.

The research team in London will complement similar units in the U.S., Canada and Japan. Mr Barton is aiming at a homogenous research approach - "punchy and readable" - and will be hoping to marry the abundant sources of capital in the U.S. with attractive investment opportunities outside.

The new company's corporate finance effort will also have a distinctly transatlantic flavour in the early stages. Mr Barton points out, for example, that Prudential Insurance is the largest holder of property in the U.S. after the Government itself. He hopes to interest European institutions in joining with the Pru on investment projects.

Similarly, the new company expects to develop an international mergers and acquisitions business, actively marketing ideas to companies on this side of the Atlantic.

Mr Barton believes that London's corporate finance market is undergoing rapid change. "Historically," he says, "London has leaned heavily on client relationships. Now the market is moving much more to a transaction basis. It is no longer a matter of who you know, but what you know and how you do."

Nevertheless, for Prudential-Bache to build up a significant presence in the domestic corporate finance or institutional sales business would be a Herculean task. Offering international arbitrage services and operating in the primary Eurobond market is one thing, selling ICI equity to British insurance companies and distributing domestic issues by British blue-chip companies is quite another.

Mr Barton and his colleagues in London recognise that building a full-service operation will be a lengthy process. Prudential-Bache

is careful to show due deference towards the City and its institutions as well as to couch its initial plans in fairly modest terms. "This is an opportunity to put more flesh on the skeleton we have in London," Mr Barton explains.

The new company's potential will inevitably be limited so long as stock exchange rules effectively prevent prudential from owning more than 29.9 per cent of a member firm. Yet no one in the London business circles expects that particular restriction to last for long, and already some of Prudential-Bache's future competitors are busy trying to work out how one beats a securities company which boasts capital resources of \$440m at its own game.

Equally significantly, they will considerably increase the number of small shareholders so that the stake held by Government-owned financial institutions is cut from 52 per cent to 32 per cent.

Escorts has been refusing to register the shares bought by Mr Paul, who is a confidant of Mrs Indira Gandhi, the Indian Prime Minister, partly because they fear his political power and do not want him as a significant shareholder.

The proposed debenture and equity issue would therefore reduce the political exposure of the company as well as raising funds for projects such as manufacturing Japanese Yamaha motorcycles and U.S. Mercury outboard motors in India. It would also help to fund a large dry dock recently bought by Escorts from Japan.

Mr Paul is arguing that Government authorities and institutions should not allow the issues to go ahead until his shares have been registered. Escorts is proposing that, since Mr Paul's shares have not yet been registered, it should put his allocations in a temporary account pending decisions on the share ownership.

It is almost a year since Mr Paul first decided to buy shares in Escorts and in DCIM, another Delhi-based industrial company.

Escorts in plan for strategic share sale

By John Elliott in New Delhi

A DEBENTURE and equity issue totalling \$35m is being planned by Escorts, one of two major Indian companies at the centre of a controversial investment bid by Mr Swraj Paul, an Indian-born businessman who runs the Caparo group in the UK.

If the issues go ahead as planned early next year, they will reduce the shareholdings bought by Mr Paul under an Indian Government non-resident investment scheme from about 7 to 8 per cent of the total equity to 4 to 5 per cent.

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Exports boost Toyo Kogyo to record Y45bn profit for year

BY YOKO SHIBATA IN TOKYO

TOYO KOGYO, the manufacturer of Mazda cars, reported record consolidated recurring profits of Y45.2bn (\$193m), up 4.4 per cent, in the fiscal year ended October due to strong exports of passenger cars.

The company posted an increase in both sales and profits for the eighth consecutive year. Net profits were Y25.6bn, up by 1 per cent, on sales of Y1,364bn, up 15.6 per cent from the previous year.

In the past year, sales rose by 11.3 per cent to reach 1,333m vehicles, including 1,171,000 knockdown sets. Strong overseas sales, up 15.4 per cent, accounted for 934,913 vehicles or 70 per cent of the total.

Exports to South-East Asia rose 63 per cent, followed by Europe, up 28 per cent.

Heavier depreciation burden and higher fixed costs were offset by higher sales and production.

In the current half year, ending April 30 1984, the company plans to sell 680,000 cars, with domestic sales of 205,000 units and the balance for export. Half-year revenues are expected to reach Y710bn, 6.4 per cent higher than the previous year. However, the company has set a conservative half-year parent company pre-tax profit target of Y23bn, up 4 per cent, owing to a deterioration of profitability arising from the year's expected appreciation.

The company, the third largest Japanese motor manufacturer, is to be renamed Mazda Motor Corporation from May 1.

● Toray Industries, Japan's largest synthetic fibres manufacturer, has reported consolidated net income of Y5,360m for the six months ended September 30, compared with Y6,149m previously, Reuter reports from Tokyo.

Pre-tax profits were Y12,560m, up from Y10,790m, on sales of Y367,400m, up from Y368,090m. For the year ending March 31, Toray forecasts a consolidated net income of Y14,600m, a pre-tax profit of Y27bn on sales of Y750bn.

Moody's, the U.S. credit rating agency, has downgraded most paper issued by Crocker National, the First Coast banking group majority-owned by Midland Bank of the UK.

The move follows Crocker's announcement last week that it will take a \$107m charge in the fourth quarter on its troubled property portfolio and, as a result, report a loss of about \$57m in the fourth quarter and \$10m for the full year.

Moody's said it was cutting Crocker National's senior debenture to single A3 from single A1 and subordinated unsecured debt to single A3 from single A2.

Crocker's preferred stock rating is being lowered from single A1 to single A3 and bond issues backed by letters of credit from the Crocker National Bank are lowered to single A1 from double A3. Commercial paper issued by the bank holding company is also being lowered from prime 1 to prime 2, but the commercial paper programmes supported by Crocker National Bank's letters of credit remain at prime 1.

Mooneyedison, Italy's leading chemicals group, yesterday said Himont, its joint venture company with Hercules of the U.S., had agreed to grant Hoechst, West Germany's leading chemicals company, a licence to manufacture its patented high-yield polypropylene.

The licence agreement was signed in September, though not disclosed until yesterday. It provides for Himont, in partnership with Mitsui Petrochemical of Japan, to allow Hoechst to produce the new high-yield polypropylene catalyst for the first time.

In May Montedison and Hercules announced a 50-50 joint venture to manufacture and distribute polypropylene resins, which are used to make plastic products for the construction industry and domestic use.

Beatrice Foods, the U.S. diversified food manufacturer and soft drinks bottler, has announced a 61 per cent increase in net profit during the third quarter to November 30, to \$137m from \$84.8m a year earlier. Sales rose to \$2.47bn from \$2.31bn, while profits per share increased to \$1.33 from 81 cents.

Fuji clear to buy Heller

By Our New York Staff

THE U.S. Federal Reserve Board has approved Fuji Bank's acquisition of Walter E. Heller International's commercial finance subsidiaries for \$425m.

Fuji agreed to buy the Chicago-based banking and commercial finance group's Walter E. Heller and Company and Walter E. Heller Overseas subsidiaries in March, beating off a rival bid from Security Pacific, the fast expanding West Coast banking group.

Fuji is the second largest banking group in Japan and number 13 in the world, with assets of about \$99.8bn. It already has extensive operations in the U.S., including Fuji Bank and Trust Company's New York-based banking group with assets of \$1.8bn, and branches and agencies in 80 countries.

The acquisition approval marks another step in Walter E. Heller International's planned liquidation.

Int. Harvester in German axle plan

BY JOHN DAVIES IN FRANKFURT

ZAHNRADFABRIK Passau (ZPF), the West German transmission maker, is to join International Harvester of the U.S. in making transaxles for agricultural tractors in France and the UK.

ZPF will have a majority stake and operating control in jointly owned companies to be formed with the debt-laden U.S. farm machinery and commercial vehicle maker.

The West German company will contribute design and manufacturing technology for new transaxles and International Harvester will provide facilities and manpower from its existing plants at St. Dizier in France and Doncaster, England.

ZPF will sell the transaxles to equipment manufacturers; International Harvester will obtain transmissions for 8 new generation of tractors.

ZPF is a wholly owned subsidiary of Zahnradfabrik Friedrichshafen, the West German transmission

group, which is largely owned by a trust fund and employs 22,000 workers.

Final negotiations about details of the deal are not expected to be finished for some time, ZPF said. The deal was subject to satisfactory arrangements for the financing of International Harvester's French and UK subsidiaries.

● Thyssen Edelstahlwerke, the special steels subsidiary of the West German Thyssen industrial group, is banking on a recovery this year after a sharp fall in earnings, sales, and orders in the year up to the end of last September.

Dr Harald Dehmer, chief executive of the concern, said the company was now booking orders worth DM 200m (\$72m) a month, 12 per cent above the average for 1982-83. But he said an improvement in earnings depended on a recovery in prices, which are under heavy pressure from imports.

It is almost a year since Mr Paul first decided to buy shares in Escorts and in DCIM, another Delhi-based industrial company.

Taft management to buy theme parks

BY TERRY BYLAND IN NEW YORK

THE LATEST management buyout plan in the entertainment industry was announced yesterday at Taft Broadcasting, where a group of investors incorporating the management of Taft's Attractions Group division has agreed to pay an expected \$167.5m for the company's four domestic theme parks.

Taft, which owns television and radio stations throughout the U.S., will reinvest \$5m and retain a one-third equity participation in the new private company, which will be named King's Entertainment and will be managed by Mr Nelson Schwab III and by several prominent, but unnamed, financial institutions.

The four theme parks brought in more than one quarter of Taft group profits in 1982-83, but their performance has faltered in the current fiscal year with bad weather in the spring causing losses.

Taft said its earnings will not be materially affected by the sale because any reduction will be largely offset by investment income and reduced interest charges and other expenses. It intends to re-invest the proceeds of the deal in its communications interests.

In October the board disclosed that group earnings for the first half had fallen 16 per cent to \$15.2m but added that it expected profits for the full year to exceed the previous peak of \$38.9m reached in 1980-81.

Operating profits of the Attractions Group had fallen 12 per cent. The board said attendance at Canada's Wonderland and at King's Island, the two major theme parks, was down.

Mr Icahn proposed that immediately before the merger, ACF's W-K-M Energy subsidiary, should be spun off as a separate company with its shares distributed to ACF shareholders on a share-for-share basis.

Mr Icahn said he believed each W-K-M share would be worth at least \$25 and that the spun-off company might have an aggregate value of around \$205 - roughly half its value a few years ago, reflecting the downturn in the oilfield equipment industry.

ACF has suffered badly as a result of the recession. In the first nine months it reported a net loss of \$882,000 before a \$1.1m extraordinary gain compared with a \$32.4m profit in the same period last year.

Under the terms of Mr Icahn's proposal, a new corporation would be formed to merge with ACF. Shareholders would receive \$31 a share in cash for their stock.

ONE OF HONG KONG'S leading textile companies, Winsor Industries Corporation, yesterday reported its half-year profits before tax were up 87 per cent to HK\$35m (US\$12m) compared with the same period last year.

Directors said earnings a share for the six months to September 30 were 60.1 Hong Kong cents compared with last year's 32.1 cents.

The results were entirely due to improvements in the group's textile activities. The directors warned that following the completion of the current cycle of restocking in the U.S. market early next year, profits would return to normal. They hoped the European market, now in a

slump, would recover next year - earlier than previously expected.

Winsor said despite political uncertainty, the group was still investing. It had acquired office space in September for the use of the Winsor Group and Hillwin Group companies, and took over production facilities to expand garment production in Hong Kong. This acquisition is financed by an eight-year bank loan.

Winsor raised its interim dividend for the six months which ended in September from 12 cents to 18 cents, but said that the final dividend will depend on prospects for 1984-85.

Moody's re-rates Crocker

By Our New York Staff

MOODY'S, the U.S. credit rating agency, has downgraded most paper issued by Crocker National, the First Coast banking group majority-owned by Midland Bank of the UK.

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KINGDOM OF SWEDEN

£500,000,000
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The Bank of Nova Scotia Group	The Bank of Tokyo, Ltd.	Bankers Trust International Limited	Banco de Bilbao S.A.
Banque Indosuez	Banque Nationale de Paris p.l.c.	Banque Paribas (London)	Central Trustee Savings Bank Limited
Chase Manhattan Capital Markets Group	Chemical Bank International Group	Citicorp Capital Markets Group	Credit Commercial de France
The Dai-ichi Kangyo Bank, Limited	The Daiwa Bank, Limited	Deutsche Bank Aktiengesellschaft	Oesdner Bank Aktiengesellschaft
First City National Bank, Limited	The Furukawa Bank, Limited	Girozentrale und Bank der österreichischen Sparkassen Aktiengesellschaft	Grindlays Bank Limited
Gulf International Bank B.S.C.	Hambros Bank Limited	The Hongkong and Shanghai Banking Corporation	Irving Trust Company
Kleinwort, Benson Limited	Lloyds Bank International Limited	The Long-Term Credit Bank of Japan, Limited	The Mitsubishi Bank, Limited
The Mitsubishi Trust and Banking Corporation	The Mitsu Bank, Limited	The Mitsu Trust and Banking Company Limited	Morgan Grenfell & Co. Limited
Morgan Guaranty Trust Company of New York	Orion Royal Bank Limited	PKBank	Sanwa Bank Merchant Banking Group
Scandinaviska Enskilda Banken	Societe Generale	Standard Chartered Bank PLC	The Sumitomo Bank, Limited
The Sumitomo Trust & Banking Co. Ltd.	Svenska Handelsbanken Group	Toronto Dominion Bank, Limited	Westpac Banking Corporation

Managed by

Arab Bank Limited	Australia and New Zealand Banking Group (Channel Islands) Limited	Banco Central S.A.	The Bank of Yokohama, Ltd.
Banque Bruxelles Lambert S.A.	The Chuo Trust and Banking Company Limited	Commonwealth Trading Bank of Australia	National Bank of Abu Dhabi
First City National Bank of Houston	The Hokkaido Tokai Bank, Limited	The Kyowa Bank, Ltd.	The Tokyo-Mitsubishi Bank, Limited
The Nippon Credit Bank, Ltd.	The Sanwa Bank, Ltd.	J. Henry Schroder Wagg & Co. Limited	The United Bank of Kuwait Limited
The Tokai Bank, Limited	The Toyo Trust and Banking Company, Limited	The Yasuda Trust and Banking Company Limited	

Co-Managed by

Chatterhouse Japhet plc	Credit Industriel et Commercial	The First National Bank of Maryland	National Bank of Detroit
National Australia Bank	Scandinavian Bank Limited		

Provided by

Algemene Bank Nederland N.V.	Allied Irish Banks Limited	Amsterdam-Rotterdam Bank N.V.	Arab Bank Limited
Australia and New Zealand Banking Group Limited	Australia and New Zealand Banking Group (Channel Islands) Limited	Banco de Bilbao S.A.	Banco de Bilbao S.A.
Banco Central S.A.	The Bank of Nova Scotia Channel Islands Limited	The Bank of Tokyo, Ltd.	The Bank of Yokohama, Ltd.
Banque Paribas (London)	Banque Paribas (London)	Banque Paribas (London)	Banque Paribas (London)
Banque Indosuez	Banque Nationale de Paris p.l.c.	Banque Paribas (London)	Banque Paribas (London)
Brown, Shipley & Co. Limited	Central Trustee Savings Bank Limited	Chenhouse Japhet plc	The Chuo Trust and Banking Company Limited
The Chuo Trust and Banking Company Limited	Credit Industriel et Commercial	The Dai-ichi Kangyo Bank, Limited	Commonwealth Trading Bank of Australia
Credit Commercial de France	Credit Industriel et Commercial	The Daiwa Bank, Limited	The Daiwa Bank, Limited
Deutsche Bank Aktiengesellschaft	Oesdner Bank Aktiengesellschaft	First City National Bank of Houston	The First National Bank of Chicago
The First National Bank of Maryland	The Fuji Bank, Limited	Girozentrale und Bank der österreichischen Sparkassen Aktiengesellschaft	Grindlays Bank p.l.c.
Gulf International Bank B.S.C.	Hambros Bank Limited	The Hokkaido Tokai Bank, Limited	The Hongkong and Shanghai Banking Corporation
The Industrial Bank of Japan, Limited	Irving Trust Company	Italian International Bank Limited	Kleinwort, Benson Limited
Lloyds Bank International Limited	The Long-Term Credit Bank of Japan, Limited	Midland Bank plc	The Mitsubishi Bank, Limited
The Mitsubishi Trust and Banking Corporation	The Mitsu Bank, Limited	The Mitsu Trust and Banking Company Limited	National Bank of Abu Dhabi
Samuel Montagu & Co. Limited	Morgan Grenfell & Co. Limited	Morgan Guaranty Trust Company of New York	National Bank of Abu Dhabi
National Bank of Detroit	National Australia Bank	The Nippon Credit Bank, Ltd.	PKBank
The Riggs National Bank of Washington D.C.	The Royal Bank of Canada Group	The Rural and Industries Bank of Western Australia	The Saitama Bank, Ltd.
The Sanwa Bank, Limited	Scandinavian Bank Limited	J. Henry Schroder Wagg & Co. Limited	Skandinaviska Enskilda Banken
Societe Generale	Societe Generale Bank Limited	Standard Chartered Bank PLC	The Sumitomo Bank, Limited
The Sumitomo Trust & Banking Company Limited	Svenska Handelsbanken Group	Toronto Dominion (South East Asia) Limited	The Tokyo-Mitsubishi Bank, Limited
The Tokai Bank, Limited	Toronto Dominion (South East Asia) Limited	Westpac Banking Corporation	The Yoda Trust and Banking Company Limited
The United Bank of Kuwait Limited	Westpac Banking Corporation		The Yoda Trust and Banking Company Limited

INTL. COMPANIES & FINANCE

Wong Sulong looks at the stock exchange regulation battle in Malaysia
Brokers fight government intrusion

MEMBERS of the Kuala Lumpur Stock Exchange met over the weekend, and elected a new committee amid apprehension of increasing government interference in the management of the securities industry.

The new seven-man committee is expected to be more vigilant and vocal towards government intrusions, but it is also conscious that the exchange's future, and that of its members, lies in co-operation rather than confrontation with the authorities.

A month before the KLSE annual meeting, the Finance Ministry sent a jolt through the industry by pushing through some sweeping amendments.

Stockbrokers raised an uproar, but during a meeting with Dr Ling Liong Sik, the Deputy Finance Minister, last Friday, it became obvious that the government would not budge. There was little the KLSE could do since the government has been given sweeping powers to intervene under the Securities Industry Act, passed by parliament last year.

To appease the stockbrokers, the authorities gave some minor concessions. Originally, the amendments gave the right to the Finance Minister to appoint "any Malay

whom he considers suitable" to be a stockbroker, his representative, or a dealer. The words "any Malay" have now been amended to "any suitable Malaysian" to do away with the racial bias.

The authorities also agreed to consult the KLSE committee in future before introducing further amendments.

Brokers fear that the Minister's right to appoint new stockbrokers could lead to political patronage, to a decline in professional standards and to more competition.

But the government has assured the industry that such fears are unfounded. The authorities make no excuse for wanting to see more indigenous Malays on the KLSE, but for good reasons.

At the moment, only 25 out of the 113 stockbrokers on the exchange are Malays. In the coming years, as the government's privatisation programme and the New Economic Policy gather momentum, an increasing number of government, statutory and Malay-owned corporations will be going public.

The Government and the Malays therefore want to ensure that their investments are well looked after by a racially balanced and progressive look-

ing KLSE.

Government entities such as Permodalan Nasional, the investment agency; Pemas, the trading and manufacturing agency; the Federal Land Development authority; and the police, armed forces, and P.T. Sins co-operatives are already publicly listed corporations, such as Sime Darby, Malaysia Mining Corporation, Rongsted Holdings and Harrison's Plantations.

Recently, the first Malay-owned company, Antah Holdings, was granted a listing and public response to its share issue was overwhelming, with its offer of 9m shares oversubscribed 33 times.

At the end of June, there were 266 companies on the KLSE, with a market capitalisation of 75.6bn ringgit (US\$28.5bn). Total business done during the year to June amounted to 1,986bn shares valued at 6.2bn ringgit.

The Government feels that with proper management, and official encouragement, the KLSE will grow rapidly so that existing brokers will not lose out because of Government appointments.

"The real challenge is whether our stockbrokers can modernise

and service their clients as well as stockbrokers in Tokyo, London and New York, or even Singapore. At the moment, Malaysian brokers are making plenty of money, but doing little to enlighten the investing public," a senior Government official said.

According to Mr Abdul Razak Sheikh Mahmood, whose tenure has been extended by another two years under the new Finance Ministry regulations, the KLSE is taking steps to modernise.

Public Administration Service, an American consultancy company, has been appointed to make recommendations on the exchange. From next month, the exchange will be operating a computerised central clearing house to speed up transactions and registrations and to give up-to-date volume and price movements.

Members of the new KLSE would be given the task of monitoring specific areas of the industry and the economy so that the committee would be better informed.

The KLSE, in co-operation with the Registrar of Companies, is also getting examinations, which will be compulsory for anyone wishing to become a "dealer" representative.

Bahrain's commercial registration fees soar

BY MARY FRINGS IN BAHRAIN

A NEW scale of commercial registration fees in Bahrain looks suspiciously like taxation to foreign and local onshore bankers.

From January 1, instead of paying a flat fee of BD 10,000 (US\$26,000) a year to the Ministry of Commerce, domestic banks will be charged the rate of BD 25,000 for each BD 10m of their average residential deposits for the previous year. Government deposits and foreign currency deposits by residents are included. This means that the cost to major onshore banks, among them Chartered Bank and British Bank of the Middle East, will be at least 20 times higher than before and could in some cases amount to 10

per cent of net profits.

Preliminary estimates suggest that Chartered will be paying over BD 500,000 (\$800,000) and HSBC BD 200,000 (\$550,000). The leading local banks, National Bank of Bahrain and Bank of Bahrain and Kuwait will each be liable for over BD 450,000 (\$1.2m) but will suffer less in terms of profit. The third local bank Al Ahli, however, will be among the hardest hit. The four-year-old commercial bank's registration fee for 1984 is put at around BD 250,000.

Only the 19 onshore banks are being assessed on the basis of their deposits, and this method has attracted sharp criticism.

One local banker said it

would discourage the acceptance of big short-term deposits, while at the same time militating against small accounts which are costly to operate. He commented: "I understand why the government shied away from a profits tax, but I would rather see fees geared to capital and statutory reserves which are more stable than deposits."

Another banker pointed out that banks would need to calculate the impact of the changes on their cost of funds and increase their lending rates accordingly, while maintaining the minimum deposits consistent with prudent banking.

Bahrain Telecommunications Company, in which Britain's Cable and Wireless has a 40 per

cent shareholding, will pay a flat annual registration fee of BD 400,000, up from BD 10,000. This amounts to about 2 per cent of its last reported profits.

Offshore banks will also pay a flat fee but are assessed in different categories. Arab Banking Corporation and Gulf International Bank will each pay BD 50,000, as will the Arab Insurance Group. This represents a 500 per cent increase. Public exempt companies will pay BD 40,000, closed ones BD 10,000. These are 400 per cent increases. Offshore branches of foreign banks will pay BD 2,500, a 1,000 per cent increase. All these fees are additional to the bank licensing fee payable to the Bahrain Monetary Agency.

NEW ISSUE

These Notes having been sold, this announcement appears as a matter of record only.

DECEMBER 1983

U.S. \$125,000,000



Exterior International Limited
(Incorporated with limited liability in the Cayman Islands)

Guaranteed Floating Rate Notes Due 1996

Unconditionally guaranteed by

Banco Exterior de España
(Incorporated with limited liability in Spain)

Credit Suisse First Boston Limited

Banco Exterior (Suiza), S.A.

Bank of America International Limited

Bankers Trust International Limited

Crédit Lyonnais

Lehman Brothers Kuhn Loeb

Morgan Grenfell & Co. Limited

Orion Royal Bank Limited

Saudi American Bank Limited

Sumitomo Trust International Limited

Arab Banking Corporation (ABC)

Bank of Tokyo International Limited

Citicorp Capital Markets Group

Kidder, Peabody International Limited

Manufacturers Hanover Limited

Morgan Guaranty Ltd

Saitama Bank (Europe) S.A.

Saudi International Bank

Yasuda Trust Europe Limited

NEW ISSUE

These Bonds having been sold, this announcement appears as a matter of record only.

DECEMBER 1983

U.S. \$100,000,000

Bank of Tokyo (Curaçao) Holding N.V.
(Incorporated with limited liability in the Netherlands Antilles)

11% Guaranteed Bonds Due 1990



Unconditionally guaranteed by

The Bank of Tokyo, Ltd.
(Incorporated with limited liability in Japan)

Credit Suisse First Boston Limited

S. G. Warburg & Co. Ltd.

Banque Nationale de Paris

Morgan Stanley International

County Bank Limited

Union Bank of Switzerland (Securities) Limited

Algemeene Bank Nederland N.V.

Banque Bruxelles Lambert S.A.

Crédit Agricole

Enskilda Securities

Goldman Sachs International Corp.

Manufacturers Hanover Limited

Nomura International Limited

Société Générale de Banque S.A.

First Chicago Limited

Kredietbank International Group

Merrill Lynch Capital Markets

Orion Royal Bank Limited

Svenska International Limited

Zentralsparkasse und Kommerzbank, Wien

Morgan Guaranty Ltd

Bank of Tokyo International Limited

Deutsche Bank Aktiengesellschaft

Swiss Bank Corporation International Limited

Bankers Trust International Limited

Citicorp Capital Markets Group

Dresdner Bank Aktiengesellschaft

Genossenschaftliche Zentralbank AG

Lloyds Bank International Limited

Samuel Montagu & Co. Limited

Salomon Brothers International

Westdeutsche Landesbank Girozentrale

All of these securities have been sold. This announcement appears as a matter of record only.

December 1983



GERBER SCIENTIFIC, INC.

2,500,000 Shares

Common Stock

L. F. ROTHSCHILD, UNTERBERG, TOWBIN

MONTGOMERY SECURITIES

BEAR, STEARNS & CO.

BLYTH EASTMAN PAINE WEBBER

DREXEL BURNHAM LAMBERT

E. F. HUTTON & COMPANY INC.

LEHMAN BROTHERS KUHNS LOEB

ROBERTSON, COLMAN & STEPHENS

SMITH BARNEY, HARRIS UPHAM & CO.

ADVEST, INC.

F. EBERSTADT & CO., INC.

OPPENHEIMER & CO., INC.

THOMSON MCKINNON SECURITIES INC.

ABD SECURITIES CORPORATION

ROBERT FLEMING

THE FIRST BOSTON CORPORATION

ALEX. BROWN & SONS

GOLDMAN, SACHS & CO.

KIDDER, PEABODY & CO.

MERRILL LYNCH CAPITAL MARKETS

SALOMON BROTHERS INC.

WERTHEIM & CO., INC.

ALLEN & COMPANY

A. G. EDWARDS & SONS, INC.

PIPER, JAFFRAY & HOPWOOD

BASLE SECURITIES CORPORATION

CAZENOVE INC.

WOOD GUNDY INCORPORATED

A. G. BECKER PARIBAS

DILLON, READ & CO., INC.

HAMBRECHT & QUIST

LAZARD FRERES & CO.

PRUDENTIAL-BACHE

SHEARSON/AMERICAN EXPRESS INC.

DEAN WITTER REYNOLDS INC.

ARNHOLD AND S. BLEICHROEDER, INC.

ROTHSCHILD INC.

TUCKER, ANTHONY & R. L. DAY, INC.

CAZENOVE INC.

WOOD GUNDY INCORPORATED

This announcement appears as a matter of record only



**BANCO ESPIRITO SANTO
E COMERCIAL DE LISBOA**

U.S. \$30,000,000

Floating Rate Notes due 1990

Standard Chartered Merchant Bank

Crédit Lyonnais

Manufacturers Hanover Limited

Mitsubishi Finance International Limited

Sumitomo Finance International

Saudi International Bank

Al-Bank Al-Saudi Al-Alami Limited

December, 1983

BANQUE INDOSUEZ

US \$ 40,000,000 FLOATING RATE NOTES 1978 - 1985

NOTICE OF EARLY REDEMPTION

Noteholders are advised that, in accordance with condition 4 (b) of the Notes, Banque Indosuez has elected to redeem all outstanding Notes, on the next interest payment date, at par.

Consequently on January 27, 1984 there will become due and payable upon each Note outstanding the principal amount thereof together with accrued interest to said date at the offices of any one of the paying agents named on the notes.

Interest will cease to accrue on all outstanding Notes on January 27, 1984.

December 6, 1983

Banque Indosuez
96, Boulevard Haussmann
75008 Paris

APPOINTMENTS

EUROPEAN INVESTMENT BANK

The European Community's Bank for long-term finance. The EIB finances projects in the ten Member States of the EEC and in more than seventy other countries in the Mediterranean, Africa, the Pacific and the Caribbean. The Bank's professional and technical staff are recruited from Member States and work in multinational teams.

The Bank wishes to appoint a

LAWYER

to take charge of the Anglophone Division of the Legal Directorate.

The duties of the Anglophone Division are varied and include the preparation and negotiation of contracts relating to loans and other operations in the United Kingdom, Ireland and the Anglophone countries associated or cooperating with the European Economic Community and general advice on legal matters. Candidates should be qualified lawyers aged between 40 and 45, entitled to practise in the U.K. or Ireland. Substantial experience, either in commercial private practice, banking or industry is required, as is ability to work constructively with many nationalities.

Languages: a sound knowledge of French, in addition to English. Knowledge of other community languages would be an advantage. Attractive remuneration depending on qualifications and length of professional experience. Additional benefits include expatriation, family, dependents' and education allowances, a pension scheme and a health insurance scheme. Candidates, who must be nationals of an EEC Member State, are invited to submit their applications, accompanied by a detailed curriculum vitae and photograph, to:

EUROPEAN INVESTMENT BANK
Recruitment and Careers Division
100, Bd. Konrad Adenauer
L-2960 LUXEMBOURG

Applications will be treated in strictest confidence.



EMPLOYMENT CONDITIONS

ABROAD LIMITED
An International Association of Employers providing confidential information to its member organisations, not individuals, relating to employment of expatriates and nationals worldwide.
01-437 7604

FINANCIAL MANAGER
Applicants with experience in banking, insurance, or an international company wishing to establish a bank in U.K.
Please apply with cv to:
Director, MCI
22 Corton Road, London W6 2HT
Tel: 01-497 0745

APPOINTMENTS WANTED

GRADUATE CIVIL ENGINEER
Mid 40s, experienced heavy civil engineering, particularly North Sea related, past 7 years financial director of highly successful private construction group seeks temporary position, possibly overseas where her considerable managerial and negotiating skills can be fully utilised.
Write Box 45418, Financial Times
10 Cannon Street, EC4A 3DF

ECONOMIST
KOREA EXCHANGE BANK

Graduate required by The Korea Exchange Bank Head Office in Seoul, starting 2nd March 1984. Experienced in speech writing in the English language on finance and economy, research and production of all types of written material relating to financial and business matters and the revision of various English manuscripts.

An excellent remuneration is offered, furnished accommodation, free travel for annual home leave, plus other attractive benefits.

Qualified applicants are invited to apply by sending a full curriculum vitae to:—

Mr. S. C. Kim, Regional Director
1 Old Jewry, London EC2R 8DU
Telephone: 01-606 0191

Young Brokers

A division of a Financial Services Group based in the City of London are building a team of young service and marketing executives to develop its private client and institutional business in the field of financial instruments.

Applications in writing are invited from confident, well-educated young persons aged 20-25. Candidates must have a high standard of numeracy and literacy, command of a second language would be an advantage.

No previous experience of working in financial markets is necessary, as a full training programme will be provided. Remuneration is linked to results and will be very high for the right person.

Please reply in writing to:

The Secretary,
The London Investment Trust plc,
Andley House,
9 North Andley St., London, W1Y 1WF

MANAGERS for our
DOCUMENTARY CREDITS
DEPARTMENT and
investment portfolio
and JUNIOR OFFICERS

Applications are invited from suitable candidates to fill the above posts.

Applicants are requested to forward their complete curriculum vitae to the undersigned, latest by 30th December, 1983.

ABDUL QAYYUM KHAN
General Manager,
MUSLIM COMMERCIAL BANK LTD.,
Zonal Office, 69/70 Mark Lane,
LONDON EC3R 7JA
Phone 01-709 9255, 6 & 7

MANX ELECTRICITY AUTHORITY
FINANCIAL MANAGER (DESIGNATE)

The Manx Electricity Authority wish to appoint a Financial Manager (Designate) who, subject to the Manx Electricity Authority Bill being enacted, will be responsible for advising the Authority on financial matters and managing its financial activities including the preparation and monitoring of budgets, account collection, payments and other work of a financial nature. Applications are invited from qualified accountants (e.g. ICA, ACCA, ICAEW, CIPFA) with relevant experience. The work is likely to be of interest to those aged 25-35 and will provide valuable experience. Salary will be commensurate with the duties and responsibilities of the post. Full details of qualifications and career should be sent to the Acting Secretary, Manx Electricity Authority, Government Office, Bick's Road, Douglas, Isle of Man not later than 5th January, 1984.

COMPANY NOTICES

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN
MURATA MANUFACTURING CO., LTD.

EDR holders are informed that Murata Manufacturing has paid a dividend to holders of record September 23, 1983. The cash dividend payable is Yen 6.5 per Common Share of Yen 50.00 per share. The dividend is payable to the holder of the EDR. EDR holders may now present Coupon No. 1 for payment to the undersigned agent.

A.R. of Egypt	F.R. of Germany	The Netherlands	Spain
Australia	France	New Zealand	Sweden
Belgium	Italy	Norway	Switzerland
Canada	Japan	Portugal	United Kingdom
Czechoslovakia	Korea	Romania	U.S. of America
Denmark	Malaysia	Soviet Union	Zambia

Falling receipt of a valid dividend Japanese withholding tax will be deducted at the rate of 20% on the gross dividend payable. The full rate of 20% will also be applied to any dividends undistributed after April 30, 1984.

Coupon No. 1	Gross dividend	Dividend payable	Dividend payable
denomination	1,000 shares	1,000 shares	1,000 shares
1,000 shares	1,000 shares	1,000 shares	1,000 shares

Payment of the dividend with a 15% withholding tax is subject to receipt by the Depository or the Agent of a valid affidavit of residence in a country having a tax treaty with Japan giving the benefit of the reduced withholding rate. Countries currently having such arrangements are as follows:

A.R. of Egypt	F.R. of Germany	The Netherlands	Spain
Australia	France	New Zealand	Sweden
Belgium	Italy	Norway	Switzerland
Canada	Japan	Portugal	United Kingdom
Czechoslovakia	Korea	Romania	U.S. of America
Denmark	Malaysia	Soviet Union	Zambia

Falling receipt of a valid dividend Japanese withholding tax will be deducted at the rate of 20% on the gross dividend payable. The full rate of 20% will also be applied to any dividends undistributed after April 30, 1984.

Coupon No. 1
denomination
1,000 shares
Gross dividend
1,000 shares
Dividend payable
1,000 shares
Dividend payable
1,000 shares

We are pleased to advise that copies of the Interim Report for the 1983 financial year are now available to EDR holders upon application at the offices of the Depository and Agent at the addresses shown below.

338, Strand, London WC2R 1HR, Clibank (Luxembourg) S.A.
December 22, 1983.

Sock
Controller

£neg+seasonal benefits

Lightness of step, speedy distribution and discretion are the essential attributes demanded by this key position.

Based above and beyond the Northern Hemisphere, this role involves spreading a little happiness and cheer throughout the land within a 12 hour period on 24/25 December.

Excellent benefits include executive uniform, first class transport including the provision of fodder and a generous holiday allowance. Applications should be made in writing.

May the happiness and cheer of this season extend throughout 1984. We will be present in these pages next year and look forward to being of service. On behalf of all at Michael Page Partnership, our colleagues in the recruitment field and the F.T. staff, who prepare and present these pages, we wish you the compliments of the season.



Michael Page Partnership
International Recruitment Consultants
London New York
Birmingham Manchester Leeds Glasgow

UNIQUE CAREER
OPPORTUNITIES

FINANCIAL SERVICES

Kent, Sussex, Surrey and Essex

Highly reputable and well established financial group have career opportunities within its successful sales team. Successful candidates will undergo full and thorough training in order to successfully advise private and corporate clients.

Applications are invited in strictest confidence from candidates aged 24-45, resident in the above locations, who are able to demonstrate previous success in any field.

To apply for an initial exploratory interview, write in strictest confidence to:

Box A8424, Financial Times
10 Cannon Street, London EC4A 4BY

CHARTERED
ACCOUNTANT

Experienced Chartered Accountant with history of major property development required overseas as Financial Advisor/Negotiator for a major commercial and residential development in Nigeria.

Salary circa NAIRA 36,000 per annum (one NAIRA = sterling £0.355) plus usual allowances, housing, medical, etc., benefits. Free travel for self and family.

Telephone 0242-45941 for more detailed information

BARRISTER'S CLERK

Applications are invited for the position of Clerk to an established and busy set of chambers in Manchester.

The person appointed must be able to manage all aspects of a small office and organise the professional lives of 20 barristers acting on their link with courts and solicitor clients. The premises are large and modern and the work is varied and interesting. The person appointed would be an advantage. Remuneration is negotiable but is likely to be substantial.

Applications in writing should include the following:
(i) Full curriculum vitae
(ii) Details of present employment and salary
(iii) A recent photograph
and should be addressed in the first instance to:
Box A8424, Financial Times
10 Cannon Street, London EC4A 4BY

COMPANY NOTICES

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN
TSUMURA JUNTENDO, INC.

Further to our notice of September 23, 1983, EDR holders are informed that Tsumura Juntendo, Inc. has paid a dividend to holders of record September 23, 1983. The cash dividend payable is Yen 8 per Common Stock of Yen 50.00 per share. The dividend is payable to the holder of the EDR. EDR holders may now present Coupon No. 1 for payment to the undersigned agent.

A.R. of Egypt	F.R. of Germany	The Netherlands	Spain
Australia	France	New Zealand	Sweden
Belgium	Italy	Norway	Switzerland
Canada	Japan	Portugal	United Kingdom
Czechoslovakia	Korea	Romania	U.S. of America
Denmark	Malaysia	Soviet Union	Zambia

Falling receipt of a valid dividend Japanese withholding tax will be deducted at the rate of 20% on the gross dividend payable. The full rate of 20% will also be applied to any dividends undistributed after April 30, 1984.

Coupon No. 1	Gross dividend	Dividend payable	Dividend payable
denomination	1,000 shares	1,000 shares	1,000 shares
1,000 shares	1,000 shares	1,000 shares	1,000 shares

Payment of the dividend with a 15% withholding tax is subject to receipt by the Depository or the Agent of a valid affidavit of residence in a country having a tax treaty with Japan giving the benefit of the reduced withholding rate. Countries currently having such arrangements are as follows:

A.R. of Egypt	F.R. of Germany	The Netherlands	Spain
Australia	France	New Zealand	Sweden
Belgium	Italy	Norway	Switzerland
Canada	Japan	Portugal	United Kingdom
Czechoslovakia	Korea	Romania	U.S. of America
Denmark	Malaysia	Soviet Union	Zambia

Falling receipt of a valid dividend Japanese withholding tax will be deducted at the rate of 20% on the gross dividend payable. The full rate of 20% will also be applied to any dividends undistributed after April 30, 1984.

Coupon No. 1
denomination
1,000 shares
Gross dividend
1,000 shares
Dividend payable
1,000 shares
Dividend payable
1,000 shares

We are pleased to advise that copies of the Interim Report for the 1983 financial year are now available to EDR holders upon application at the offices of the Depository and Agent at the addresses shown below.

338, Strand, London WC2R 1HR, Clibank (Luxembourg) S.A.
December 22, 1983.

century factors

MANAGING DIRECTOR Age 27-30

Century Factors is a subsidiary of Close Brothers Limited and is an expanding debt factoring company based in Yeovil, Somerset.

Century Factors is seeking a new managing director. The likely candidate will have had broad career experience to date in a factoring or other financial services business.

Flexible compensation package commensurate with experience and calibre.

Applications in strict confidence to:—

Roderick Kent,
Managing Director,
Close Brothers Limited,
36 Great St. Helen's,
London EC3A 6AP.



Close Brothers

CORPORATE FINANCE Age 27-33

Close Brothers' expansion means that we require a high calibre, commercially-minded professional with relevant merchant banking experience and a flair for this work.

You will be working closely with the Executive Directors and will need to fit into a highly committed team, who are substantial shareholders in the group.

Attractive income and capital compensation package for the right person.

Applications in strict confidence to:—

Peter Winkworth,
Director,
Close Brothers Limited,
36 Great St. Helen's,
London EC3A 6AP.



CONTRACTS & TENDERS

REPUBLIQUE ALGERIENNE DEMOCRATIQUE
ET POPULAIRE

(Algerian Popular Democratic Republic)

MINISTRE DE L'ENERGIE ET DES INDUSTRIES
PETROCHIMIQUES

(Ministry for Energy and Petrochemical Industries)

ENTREPRISE NATIONALE "SONATRACH"

(National Company "Sonatrach")

NOTICE OF NATIONAL AND INTERNATIONAL CALL FOR
TENDERS

The Directorate for Production is launching a national and international call for tenders for the supply of:

— Coil Tubing Unit Truck-mounted
(1 Unit) COIL Tubing Unit Pénétre sur camion)

— (Injection Unit) Azote Montée sur camion)

This call for tenders is intended for manufacturing companies only and excludes amalgamations, representatives of companies and any other intermediaries etc., in conformity with the provisions of the Law No. 78-02 of 11 February 1978, with respect to State Monopoly on Foreign Trade.

Tenders interested in this call for tenders may obtain the specifications through their embassy from SONATRACH - Direction Production - 8, Chemin du Réservoir HYORA - ALGER (ALGIERS). Département Approvisionnement et Transports (Department for Supplies and Transport), with effect from the date on which this notice is published, together with a remittance in the sum of 500 OINARS.

Offers, of which 12 copies should be prepared and sent in a double sealed envelope, by registered post. The outer envelope should be worded as follows:

"APPEL D'OFFRES NATIONAL ET INTERNATIONAL (NATIONAL AND INTERNATIONAL CALL FOR TENDERS) No. MA 05/83. "A NE PAS OUVRIR CONFIDENTIEL" (DO NOT OPEN CONFIDENTIAL). The final date for submission of tenders is two months with effect from the date of the publication of this notice.

Any submissions received after this date will not be accepted. Selection will be made within 180 days of the closing date of this call for tenders.

REPUBLIQUE ALGERIENNE DEMOCRATIQUE
ET POPULAIRE

(Algerian Popular Democratic Republic)

MINISTRE DE L'ENERGIE ET DES INDUSTRIES
PETROCHIMIQUES

(Ministry for Energy and Petrochemical Industries)

ENTREPRISE NATIONALE "SONATRACH"

(National Company "Sonatrach")

NOTICE OF NATIONAL AND INTERNATIONAL CALL FOR
TENDERS

The Directorate for Production is launching a national and international call for tenders for the supply of:

— Lot of Machine Tools (Lot de machines outils).

This call for tenders is intended for manufacturing companies only and excludes amalgamations, representatives of companies and any other intermediaries etc., in conformity with the provisions of the Law No. 78-02 of 11 February 1978, with respect to State Monopoly on Foreign Trade.

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Any submissions received after this date will not be accepted. Selection will be made within 180 days of the closing date of this call for tenders.

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UK COMPANY NEWS

British Dredging forecasts £1m profit

A PROFIT of over £1m is forecast for 1983 by British Dredging, the Cardiff-based dredger and supplier of sand and gravel. And the company is resuming interim dividends with a 1p net payment.

When reporting a return to half-time profits with £322,000 in August, Mr. Fane Veron, the chairman, said the group was moving ahead well in a much improved environment. A good level of demand was being experienced.

The profit would compare with £22,000 attained in 1982. Ten years ago the group made £1m, but that was followed by several years of losses and then very low profits.

Mr. Veron says liquid funds have risen to some £4.5m after the early repayment of long-term loans totalling £227,000.

Following the disposal of properties no longer required for trading purposes, the liquid assets are expected to rise to "well over £5m."

● comment

The transformation of British Dredging is so striking that ordinary six-monthly statements are evidently insufficient to keep pace. Hence yesterday's unexpected missive from the chairman's office. Not that he needed to sign-off with a seasonal greeting—a forecast of £1m profit and £5m in the bank made him a shareholder in high spirits well before the final sentence. There are two main features behind this dramatic upturn. All three trading operations—aggregates in the Bristol Channel, paving blocks in Newport and a dry dock in Cardiff—have produced much better profits while interest receivable is coming up from nothing to perhaps £1m. Pivotal to sharp increase in cash has been the £21m last March from the sale of an associate to RMC—Incidentally RMC tried to get the whole company for £4m less than three years ago. Retained profits have built up that plus £1m from property sales. Now it is British Dredging that is in an acquisitive mood. The shares rose 12p to 60p yesterday for a fully taxed prospective p/e of 21 and yield of 4.8 per cent.

Forminster

Turnover of Forminster, the ladies' and children's underwear manufacturer, dropped from £7.4m to £7.03m in the half-year to October 31 1983 and pre-tax profits were lower at £603,548, compared with £756,000 in 1982. The directors say, however, that as indicated in the last annual report, it is confidently expected that results for the second half of 1983 will show an improvement over those now reported.

The net interim dividend is maintained at 2.03p per 10p share—last year's total was 4.8p on taxable profits of £1.61m. Tax for the first half took £320,000 (£392,000) leaving net attributable profits down from £263,548 to £283,548. Earnings per share dropped from 7.45p to 5.26p.

Yearlings total £16m

Yearling bonds totalling £16m at 4 1/2 per cent have been issued by the following local authorities: Alnwick District Council £0.25m; Basildon DC £0.5m; Isle of Wight DC £0.5m; Nottingham (City) £1.5m; Rochdale Metropolitan Borough Council £1.0m; South Oxfordshire DC £0.25m; Taunton Deane BC £0.5m; West Lancashire DC £0.5m; Birmingham (City) £2.0m; Brighton BC £1.0m; Walsall MBC £1.0m; Hillingdon (London Borough) £1.0m; Brentwood DC £0.5m; Kensington and Chelsea (Royal Borough) £1.25m; New Forest DC £0.75m; Sefton MBC £1.0m; Tonbridge and Malling BC £0.5m; Ealing and Hammersmith (London Borough) £1.0m; Elmstead Port and Neston BC £0.5m; Northampton (Borough) £0.5m.

Polly Peck placing to raise £5m

BY RAY MAUGHAN

Polly Peck, the fast expanding citrus fruit and packaging group built by Mr. Asil Nadir, is to raise up to £5m of long-term capital.

Writing to shareholders in the annual report and accounts for the year to September 3, the chairman explained that the "amount is relatively small, and a placing of new 0.5p per share (after a 10-for-1 share split to reduce par value from 5p per share) will conveniently provide this capital without the expense attendant upon a rights issue."

Mr. Nadir added that "certain (unnamed) Middle Eastern investors have indicated their willingness to take up the necessary shares."

The accounts form the first detailed explanation of the group's rapid expansion in the fields of fruit packing, water bottling, consumer electronics and pharmaceuticals using the resources of Northern Cyprus, Turkish and Middle Eastern agriculture and labour.

It had been widely expected that publication of the annual report, following the widely anticipated strong profit growth for the year, would form a platform for the integration of Polly Peck's quoted associate companies, Cornhill and Wearwell, into the parent company.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividend. Official indications are not available as to whether the dividends are interim or final and the sub-divisions shown below are based mainly on last year's timetable.

Interim: Bromsgrove Casting and Machining; Highgate and Job, Leopold Joseph, Ocean Wilsons, Reardon Smith Line, Sumitomo Chemicals, Sutcliffe Spinning, Turnbull Scott, Victoria Carpet.

Final: Asil Nadir's Investment Trust, Citicorp, Electric and General Investment, Grand Metropolitan, Pict Petroleum.

FUTURE DATES

Oatlands Photographic Dec 29
Energy Finance and Gen. Trust Dec 28
Howden Group Jan 5
P.H. Industries Jan 12
Finesse Jan 12
French (Thomas) Jan 12
Lincoln Kilgus Jan 17
1 Amended.

The merger of the three companies has been under consideration for some time but plans to effect were first postponed last February and are still held in abeyance.

Mr. Nadir said, however, that "although it is still the companies' intention to merge, the continued growth in activities during the year has so far inhibited the boards of the companies from proceeding with this operation."

"However," he went on, "it remains our firm intention to merge the three companies as soon as it is practical."

Postponement was enough to clip 1p off the Wearwell share price to 83p, cut 7p of Cornhill's shares at 225p and to take 50p

off the Polly Peck share price to 227 1/2. After the share split, the shares would be quoted at 275p each.

Polly Peck's progress during the year has been one of superlatives. Turnover expanded by 160 per cent to £62.2m and the group was able to achieve a rise of 135 per cent in profits before tax to £14.7m. Earnings per share climbed from 146.3p to 263.3p from which the group is paying an 83 per cent dividend increase at 23p per share.

There was a period of fast physical expansion and projected ventures with several mainstream manufacturers in the developed world. Polly Peck describes the year as "eventful". Mr. Nadir said "we believe

that the substantial wealth of natural resources in countries like Turkey where the group is increasingly concentrating its activities, coupled with the potential for technological production and development throughout the near and Middle East, present further significant opportunities for us."

The group, however, will be expanding in other countries "so that our activities are not over-exposed in any one particular area." The chairman emphasised that "we undertake detailed analyses of the economic and political factors pertaining to the countries where we operate and remain confident of their continuing long term stability."

The group expected to spend £15m on capital projects in the current year which will be principally committed to a £4.5m packaging plant in Turkey and the consumer electronic plant in the same country, agreed earlier this year with Ferro EMI Ferguson, at a cost of £8m.

Other significant items comprise fruit packing houses being established in Turkey at £2.5m, the balance of the group's contribution to the Niksar mineral water bottling plant, while a further £1m related to the pharmaceutical division. See Lex

ERF feels benefit of reduced overheads

AS EXPECTED substantial savings in operating costs and improved margins on vehicle sales helped ERF (Holdings), manufacturer of heavy commercial vehicles and plastics, return to profits at the taxable level in the 25 weeks to October 1 1983.

The directors say the results were achieved despite continued severe competition from European manufacturers.

Turnover for the period was down by 19.4 per cent from £37.7m to £37.16m but a profit of £137,000 was earned compared with a £612,000 loss. The result was struck after a lower interest charge of £607,000 against £672,000.

There was a "significant improvement" in profits from both UK subsidiaries, the directors state. Also, despite being affected by the recession, the South African subsidiary turned in a net profit after interest. The plastics company continued to increase turnover and profit, they add.

Export trade was substantially lower with business in the Middle East being considerably

Petbow loss jumps to £2.7m at midway and no interim dividend

LOSSES AT welding and generating plants in Petbow Holdings soared in the six months to September 30 1983 and, despite expectations that interim dividend payments would be resumed, this distribution has again been passed.

For the first half the pre-tax deficit jumped to £2.73m, compared with a loss of £1.00m for the corresponding period and £584,000 for the last full year when there was no final dividend.

However, as regards the current 12 months Mr. James Bird, chairman, says the second half will be substantially better than predicted at the last AGM. External problems which face the group, he says, have not changed in the recent past, he states, but overhead expenditure has been cut sharply and he is confident that profits can be maintained.

Business restructuring which has taken place since new board appointments in July has already reversed trading losses. Substantial profits are now being earned and, notwithstanding an increase in turnover, working capital has been greatly reduced. This reduction together with current trading profits has enabled bank borrowings to be cut by some £1m since the beginning of the year.

Turnover at midyear was down from £12.97m to £9.21m and direct exports fell from 19.7m to £5.1m. There was an operating loss of £332,000 (£315,000 profit) and a trading deficit of £1,900m, after special items of £1,000m.

Mr. Bird explains that these items cover continuing difficulties in collecting cash in the Middle East and African territories and a provision for the cost of raising debt provisions in every case where any delay was being experienced. They also cover the lifting of provisions by some £1m in completing certain unprofitable contracts.

There will be some benefit to second half trading from the recovery of these provisions and

cover of these provisions and these measures will be applied and reviewed in future on a continuous basis, he adds.

Pre-tax losses at halfway were after interest of £284,000 (£472,000) and exceptional deficits of £462,000 (£26,000 credit) for July and August 1983. During those two months a redundancy programme affecting 115 employees, almost entirely indirect staff, was implemented to achieve a more than comparable cut in wage and salary costs. The tax charge for the six months was £24,000 (£90,000), leaving net losses up from £137,000 to £2.73m.

● comment

Petbow has taken it on the chin. Losses have begun to accelerate six months ago as a daunting list of under-priced contracts began to make its presence felt, and the management had got out of touch. So, the board took an axe to the staff, decimated the operations and expected a more conservative accounting policy over exports to struggling third world oil producers. The initial result of this expensive purge was Petbow's worst ever loss. But in the current half, all divisions are back in the black and a reduction in working capital has helped getting to a profit. The plan now is to reduce exposure to high risk markets in the Middle East and Africa and concentrate more on the UK and budding south-east Asian economies. Further ahead, Petbow plans to diversify away from the over-supplied generator industry, which takes 80 per cent of turnover, and give a greater emphasis to diesel driven welding machines, where it is UK market leader. The shares slipped 4p to 41p capitalising Bird family's more than 50 per cent stake would be a hefty stumbling block to any competitive bid for a greater share of a tight market.

Margin rise gives Lloyds & Scottish £22m

THE SECOND half at Lloyds and Scottish, the finance house, has produced profits doubled to £11.8m, and gives a total of £22.4m for the year ended September 30 1983, compared with £12.3m last time. Margins have been better, but the benefit was partly offset by the need to provide more for bad and doubtful debts.

Earnings are shown at 7.56p, against 5.42p before an exceptional £1.3m credit and 6.52p thereafter. The final dividend is 2.97p for an unchanged net profit of 3.57p. Lloyds Bank holds 60.3 per cent of the capital and Royal Bank of Scotland owns 39.26 per cent.

Reduction in the cost of money this year had a significant impact on the margins on business written in previous years. It was

also possible to increase the margins on new business, and a buoyant demand for credit, particularly in the consumer sector, also contributed to profit growth.

Integration of Lloyds and Scottish Finance and Bowmaker has progressed during the year, and in January the Lloyds Bank Finance Group, and its three operating divisions—retail, personal and corporate—came into being.

Demand for the group's factoring services continued to grow and in January the Lloyds Bank and International Factors achieved increases in pre-tax profits.

Accounting policy for regional development grants on leased assets has been changed, and amounts credited to profit and

loss are now grossed up at the current rate of corporation tax with the notional amount of tax being added to the tax charge. The amounts are £2.3m for 1983 and £1.6m for 1982.

Differences arising from changes in rates of exchange are taken direct to reserves. Accordingly, the extraordinary charge in 1982 of £0.3m has been reversed.

After tax 59m (£5m), minority £1.9m (£0.9m) and extraordinary debit £1.9m (exceptional

credit £1.3m), the net attributable profit comes to £9.6m (£12.3m). The extraordinary charges comprise losses less gains on disposal, including provision of investments in subsidiaries, and a deferred tax credit.

On September 30 shareholders' funds, including minorities, stood at £233.2m, compared with £165.1m a year ago. Net borrowings were £164.6m (£1.35bn) and gross assets £255.5m (£2.09bn).

Bromsgrove Casting doubles

Pre-tax profits more than doubled from £31,000 to £73,000 at Bromsgrove Casting and Machining for the half-year to the end of September 1983. Turnover of this company, which manufactures a wide range of

aluminium and non-ferrous castings, increased from £1.82m to £2.35m.

The net interim dividend has been held at 0.75p. In the last full year total 2.25p was paid on the UK stock market of around 12 per cent, but ERF unit volume is down. This is partly because of the downturn in South Africa, but not entirely.

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Nth. British Steel losses deepen

FURTHER LOSSES, following a fall into the red at the interim stage, were incurred by North British Steel Group (Holdings) in the second half of the year. Taxable losses amounted to £27.7m, compared with a £335,000 profit for the 12 months to September 24 1983.

However, the deficit was struck after first and second half exceptional expenses of £59,000 and £373,000 respectively. Prior to these charges the loss half-on-half fell from £714,000 to £392,000.

Last year's comparable figures have been adjusted. Turnover is shown as falling from £18.15m to £13m and interest charges are given as £132,000 (nil). The exceptional expenses consist of severance payments of £303,000 (nil) and cost of participation in the steel castings industry rationalisation scheme for the

current year of £129,000 (nil). The deficit is being cut by 50 per cent from 1.45p to 0.745p leaving the year's payout down at 1.105p compared with 2.2p.

The company, a steel founder and engineer, says that the overall order book for the foundries shows considerable improvement over the same time last year though, the directors warn, further economies must still be made.

They say that in the second half of the year substantial orders for the Ardsley foundry were won, although benefits to the company will not be seen until the current year, due to the longer manufacturing time in special castings.

Following the Lazard Brothers scheme, the lighter foundry at Batigate was approved as a source of castings by new customers, but the order

position remained difficult since many customers are working well below capacity. The new AOD melting process, commissioned in September, has been operating successfully on a limited scale, and progress is being made in attracting orders for this latest Batigate facility, which gives access to a wider market.

Elsewhere, the directors say that Batigate has made a promising start to the current year.

Commenting on current year's outcome the directors say that the group's financial position remains strong and performance shows an improving trend, which should result in a return to modest profitability.

There was a tax charge for the year of £22,000 (£57,000) which left an attributable loss of £14.7m (profit £278,000) equal to a 28.9p loss (5.5p profit)

Western Selection falls £0.2m

SEVERE price competition in the general cable industry was largely behind a decline in turnover and profits at Western Selection for the year to the end of September 1983. Turnover moved down from £6.97m to £3.66m and pre-tax profits from £501,000 to £405,000.

The directors say that provided no disruption is experienced which affects turnover targets for the ensuing year, and the level of export business continues to expand, they anticipate a more favourable result in 1984.

Export orders increased by more than 50 per cent to £1.7m. The net final dividend is held at 2.5p (same), earnings per share slipped from 4.65p to 2.32p.

Following a decline of £75,000 to £333,000 at the midway stage, the directors said that the outlook for Duratube & Wire, the main telecommunications subsidiary, depended on maintaining and improving margins on its special cable products.

However, they said there was a sign of improvement in demand. A breakdown of profit showed Duratube & Wire £312,000 (£405,000), parent company £152,000 (£140,000).

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COMPANY NEWS

Kelsey below target as second half slump pulls profits lower

Kelsey Industries has missed its profit forecast for the year to September 30 1983.

At midday, when an advance from £585,000 to £598,000 was reported at the pre-tax level, the directors said they were confident the full year outcome would show a worthwhile improvement.

However, in the event a second half slump from £278,000 to £281,000 pulled the year's profit down from £1,200 to £1,140.

The directors now say the situation is beginning to improve and they are confident the current year will show a satisfactory increase in profits.

Turnover for the period under review rose from £21,430 to £22,100, with the year's profit down from £1,200 to £1,140.

The pre-tax profit included minorities of £28,000 and consisted of: manufacturing £793,000 (£794,000), contracting and building £194,000 (£195,000) and other activities £152,000 (£151,000).

These refer mainly to interest received and rents to the holding company from subsidiaries, less amortisation of leases.

Tax took £223,000 (£220,000) for net profits of £516,000 (£518,000) and £12,000 (£11,700) per 25p share, while the final dividend of 5.5p net as forecast holds the total payment at 5p on reduced capital.

Below the 10p share price were extraordinary credits of £87,000 (£82,000) and, with dividends absorbing £409,000 (£401,000), the retained balance came through at £284,000 (£289,000).

During the 12 months the company purchased 768,000 of its own ordinary shares at 21.5p; the £1,670 cost of which left unappropriated reserves of £53,000 (£53,200).

Capital reserves have been reduced by a £410,000 surplus realised on the sale of property (included in extraordinary items) increased by a further £450,000 surplus on property revaluations.

In his first statement as chairman, Mr Brian Arbib points out the group has made many changes in its activities, particularly in respect of overseas operations, besides certain domestic restructurings.

The directors are confident, he says, that these investments will produce growth.

Disappointing debuts for Synterials and Henara

TWO newcomers to the Stock Exchange made disappointing debuts yesterday. Synterials, a Dutch-based technology company, saw its shares—20m of which had been offered for subscription at 100p—set open at 85p on the USSE.

This represented a paper loss of almost 15m for the underwriter who had to take up about 33 per cent of the issue when it was underwritten last week.

However, with support from the company's brokers, James Capel, the share price rose to close at 90p, 10p above the 80p level at which the shares were very disappointing.

Milbury advances £0.24m

AN IMPROVED performance by its housebuilding division enabled Milbury to return to the normal activities of the six months ended September 30 and the directors are confident that this improvement will continue through the second half of the year.

At the pre-tax level profits rose from £219,000 to £263,000, although turnover for the period slipped by £270,000 to £7,970m.

The result for the opening half included profits from the sale of shares in Westminister (Holdings) and a fee of £160,000 charged to Saint Piran, the parent company, for property advice which was within the normal activities of the group.

As a result of the acquisition of Westminister, the group's capital base of net tangible assets has more than doubled.

The directors are confident that this enlarged asset base will support the continued profitability and growth of the group.

Earnings for the first six months amounted to 8.5p (5.5p)—an interim dividend of 4.5p has already been announced.

Tax for the period accounted for £3,000 (£4,000) but below the £3,000 against profits of £263,000 (£267,000) nil). After interim dividend payments of £139,000 (£139,000), retained profits emerged at £583,000 (£583,000).

There was a surplus of £2,250m on the valuation of the housebuilding land bank as at September 30. The valuation was carried out by independent firms of chartered surveyors and was at an open market value at that date.

The total value of the property portfolio of Westminister as at September 30 was £20m—all the properties and developments continue to be well managed and provide a growing rent roll.

Mr J. J. Raper will take over as chairman of Milbury from Mr John Stone on January 1. Mr Raper was chairman of Saint Piran from late 1973 to late 1978.

The directors say the return to profit represents a satisfactory turnaround in performance, and further recovery is anticipated as the upset forgoing activity is now benefiting from earlier rationalisation.

The group is changing its year-end to December 31 in line with its major shareholder, Gomba Holdings UK.

Pre-tax profits at Belgrave (Blackheath) the West Midlands' forging and machining holding company, for the six months to July 31 1983 were £18,000 against losses of £48,000 in the corresponding period last year.

Group turnover was lower at £1,32m compared with £1,57m. The trading profit was £88,000 against losses of £15,000.

The pre-tax figure was after interest charges up £6,000 to £40,000. Tax took £5,000 against a credit of £3,000, leaving net profits of £13,000 (£54,000 losses). There was an extraordinary debit last time of £101,000.

The directors say the return to profit represents a satisfactory turnaround in performance, and further recovery is anticipated as the upset forgoing activity is now benefiting from earlier rationalisation.

Bowater agrees sale of Swiss associate

By David Doddwell in London and John Wick in Zurich

The Bowater Corporation has accepted a binding offer from a Swiss retail co-operative, for its 46.15 per cent stake in the Basle shipping company Schweizerische Reederei und Nepman (SRN).

A final decision on the transaction is expected to be taken by the SRN board on January 19 and the completion of the deal in February 1984. In the meantime, Bowater is to negotiate with other shareholders with a view to obtaining a majority stake in the company.

SRN is Switzerland's largest shipping company. From a base in Basle, it has a strong fleet of barges plying the Rhine, and extensive warehousing facilities.

Bowater said yesterday that it is likely to receive about £2m for its stake. The Rhine, and capitalisation of SRN is SwFr 18.2m (£8.78m). It has held the stake in SRN since 1978 through the Office of Fair Trading and the national holding, and has been indicating for some time that it was interested in disposing of the stake as part of a strategic shift away from operations like warehousing and Rhine shipping, and into service type operations such as freight forwarding.

Mr Dennis Rees, Bowater's company secretary, said yesterday that the company had over the past three years expanded rapidly into freight servicing, to the point where it is now one of Europe's largest groups in this area.

With 100 offices and 3,000 employees in Europe and the Far East, its leading freight forwarders are Baxters Homecar in the UK, Rheunara in West Germany, Mondia in France and Cope-Neptun which operates in Belgium, Netherlands and Luxembourg.

Mr Rees added that selective acquisitions are planned, over the coming year, in Europe, the U.S. and elsewhere.

Migros is Switzerland's largest single importer. It already owns one Swiss shipping company, Reederei, which is based in Zurich and has a 45-vessel fleet.

Yesterday, Migros said it has already begun talks with the Swiss Federal government, and the cantons of urban Basle and rural Basle, to ensure majority control of SRN. These authorities together hold a stake of 24.49 per cent in SRN.

Migros intends to offer other SRN shareholders a sum of SwFr 1,200 (£561) for every share. The company's share price has risen close to this level in recent over-the-counter trading in Basle.

Bowater said yesterday that Bowater would probably never have been allowed to obtain a majority holding in SRN, even if it had wanted to. The Migros said it had a better understanding of the Swiss market and an effort is being made to increase sales volume.

Commenting on Kelsey Building Products Mr Arbib says the trading losses that this relatively new company has made in the past two years and steps have now been taken to curtail over-extended operations and an effort is being made to increase sales volume.

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Coates Bros. expands in U.S. with £7.1m purchase of Colonial

By Charles Batchelor

Coates Brothers, the family-controlled manufacturer of printing inks, is undertaking a major expansion in the U.S. with the purchase of the Colonial Printing Inks division of Millmaster Coys Group for \$10.12m (£7.1m).

Coates has had reciprocal licensing agreements with Colonial since the mid-1960s. The U.S. company, which is based in Rutherford, New Jersey, is expected to make net profits before interest and tax of \$1.4m on turnover of \$14m in 1983. It employs about 90 people.

Colonial makes and distributes printing inks used in the screen process. These are used for printing on textiles such as tee shirts and sportswear and also on printed circuit boards.

Coates already has a relatively small presence in the U.S. making toner for office copying equipment in Pennsylvania and in the U.S. for the transfer printing in South Carolina.

Mr David Youngman, Coates managing director, said: "Not being an acquisition-minded company, this is a big leap for us. It is unlikely we will be making any other moves in the immediate future."

Mr Youngman said that Coates was already a relatively small presence in the U.S. making toner for office copying equipment in Pennsylvania and in the U.S. for the transfer printing in South Carolina.

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MINING NEWS

Key Lake enters the world uranium league

By Kenneth Marston, Mining Editor

THE WORLD'S biggest operating uranium mine, the C5000m (2522m) Key Lake operation in Saskatchewan, is now getting into its stride. Its first drum of uranium oxide was packaged at the open-pit mine and mill complex on October 20 and production to the end of November totalled 700,000 lb of uranium oxide. Design capacity of 1m lb per month should be reached early in 1984.

The Key Lake mine represents a joint venture between Saskatchewan Mining Development Corporation (SMDC), a Saskatchewan state corporation with a holding of 50 per cent; Uranerz Exploration and Mining (33 per cent); and Eldor Resources, a Canadian state corporation (16 per cent).

Mr Roy Lloyd, president of SMDC, said that together with the corporation's share of production from the Cluff Lake mine, SMDC has become one of the world's major suppliers of uranium to markets in North America, Western Europe and the Pacific Basin. Key Lake also puts Canada in first place among non-communist world uranium producers.

The shallow open-pit mine's reserves amount to 200m lb of uranium oxide at an average grade of 2.35 per cent. At an annual production rate of 12m lb a year it will contribute about 12 per cent of world uranium production.

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Deadlock at Driefontein over reinstatement issue

By Kenneth Marston, Mining Editor

SOUTH AFRICA'S Driefontein gold mine in the Consolidated Gold Fields group says that a deadlock has been reached at the meeting of the conciliation board which is called to consider the labour dispute at the gold mine. The case will now go to the Industrial Court.

The dispute arises from an original claim by some of the miners that their working area was unsafe. Mine officials and the chief inspector of the Government Mining Engineer's Department subsequently inspected the area and decided that the suspect support conditions were, in fact, safe.

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MANAGEMENT: Marketing

IT IS three o'clock on a damp Friday afternoon in late October in Newcastle-upon-Tyne. Some 48 sales executives from the Cadbury chocolate company are clustered secretly in a hotel in this North of England city to discuss the final plans for the launch of a new chocolate bar—called Wispa. It is the product which could prove to be the major breakthrough in boosting Cadbury's fortunes in the competitive confectionery market. Absolute secrecy was considered essential to avoid arch-rival Rowntree Macintosh from launching a pre-emptive strike in the area.

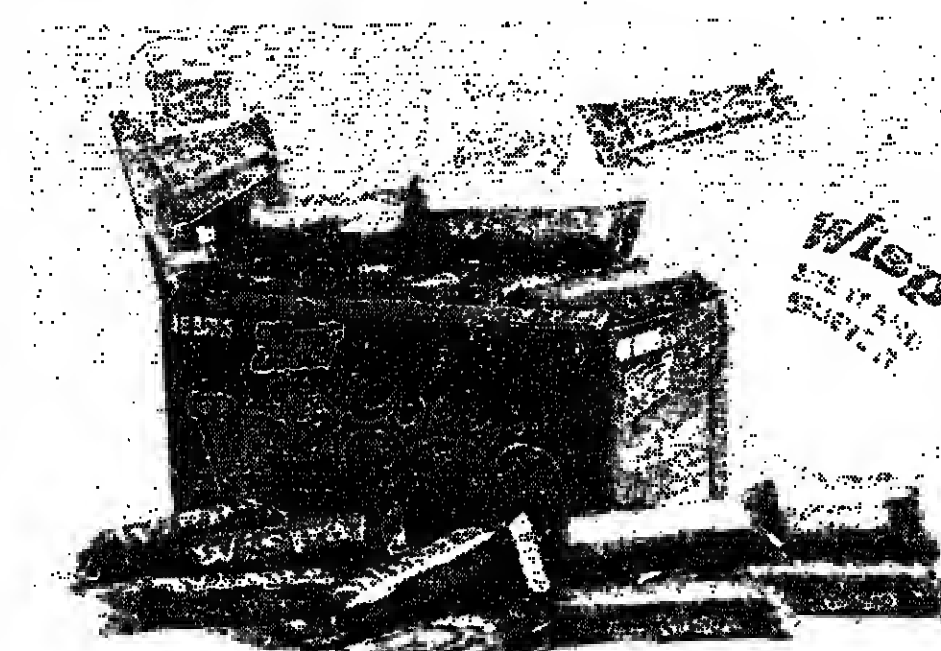
Suddenly, the secret was out. The local evening paper broke the story with a front page banner headline shouting the news: "Wispa is back!"

"All hell broke loose then," recalls Norman Hawkins, Cadbury's commercial director. "The local newspapers and confectioners were clamouring to find out if it was true and when they could get supplies." These small shopkeepers clearly remembered the test launch of Wispa in the Newcastle area some two years previously—a test that had to be abandoned after a few weeks because demand was so embarrassingly high and stocks simply ran out.

Chocolate lovers, of which Britain has more per head than any other country in the world, persistently pressed their local shops for supplies of this oblong-shaped bar containing milk chocolate whipped into thousands of tiny bubbles. The few bars that were left even found their way on to a sort of black market. "We had many ordinary people even taking the trouble to write to us asking where they could get supplies," remembers Hawkins.

When Wispa returned to Newcastle on Monday October 24 this year, it sold 8.1m bars in the first week and boosted Cadbury's total market share in the region by almost a third—an unprecedented performance for a new product. The local Woolworth store alone sold 10,000 Wispa bars in one day—more than 10 times the number it would normally expect to sell of its most popular confectionery product. "It was simply unbelievable," enthuses Hawkins. "I've never seen or heard of anything like it in my 25 years in the business."

All this may sound very much like a marketing man's hyperbole, especially since the promotional package accompanying the Wispa launch was one of the costliest ever for Cadbury's. (If the money actually spent in Newcastle were reflected nationally, the amount would be some £7m.) But local stores in the Newcastle area confirm the ex-



Will word of mouth spread the Wispa?

David Churchill reports on Cadbury's latest confection

trepreneurial sales for Wispa. Large grocery multiples such as Tesco, which have been reluctant to take a new product so close to Christmas, are now eager to stock the chocolate bar in some quantity in the New Year.

Yet there remains a nagging doubt about any new chocolate product making any lasting impact in the chocolate confectionery market. The leading brands have been around for decades—Cadbury's Dairy Milk was first sold in the early part of this century while Mars bars first appeared a half a century ago—and few rivals have successfully emerged to challenge their dominance in a total chocolate market worth some £1.5bn last year. The chocolate market is also little different from other high volume consumer product markets in having a failure rate of nine out of every ten new products that are launched.

Despite the risks, though, Cadbury is confident enough to have spent £12m on a new custom-built plant at its Bourneville headquarters to

produce the new chocolate bar. Why should Wispa be any different? First of all, says Hawkins, it offers chocolate lovers a different way of eating Cadbury's chocolate. "Our market research has consistently shown that most people equate chocolate with Cadbury's and so we wanted to capitalise on this customer loyalty," he says.

Although Cadbury had toyed with an aerated chocolate bar as long ago as the 1930s, it took the company's research and development team at its Bourneville factory in Birmingham several years to come up with a consistent formula. This research was carried out during the 1970s when Cadbury, like other chocolate manufacturers, searching for new products to stimulate a market which, while growing, was rapidly becoming mature in marketing terms.

The process used to make Wispa is a jealously guarded secret since it involves whipping the chocolate into a textured, light consistency and then wrapping it in thin coating of milk chocolate.

Apart from consistency,

another reason why Cadbury could be on to a winner is that Wispa assumes the "chunky" shape which chocolate consumers have increasingly appeared to prefer in recent years. Rowntree first identified this trend with its Yorkie bar, which it launched in the mid-1970s. The success of this product—offering chunks of chocolate rather than thin squares—eventually led to the other manufacturers, including Cadbury, following suit with chunky versions of their existing best-selling brands.

A further reason for Wispa's success is its pricing strategy. At 16p it costs 1p less than other such popular products as Mars bars or Cadbury's Flake (with which it is in competition). Cadbury believes that Wispa offers the taste of its chocolate at a price that makes it a quick impulse buy, especially by children, who remain an extremely price conscious section of the chocolate consuming public.

Not surprisingly, the promotional launch in Newcastle was geared towards children with sky-divers parachuting into the

Newcastle Football Club ground to deliver supplies of Wispa to local children's hospitals. The television commercials, produced by the Young and Rubicam agency, cleverly featured television stars from such series as *Hi-de-Hi*, *Yes Minister*, and *It Ain't Half Hot Mum* whispering the secret of Wispa to each other.

Yet in spite of the initial clamouring of the Newcastle public for Wispa, there are some within the trade who think Cadbury may still miss out. "The major threat to Cadbury establishing itself with a major new chocolate brand must come from Rowntree and its well-established Aero product," suggests Richard Eassey of the Mintel market research company, which closely follows new product launches. "Cadbury have seemed a bit slow in wholeheartedly supporting Wispa and it may lose out in the end."

Rowntree has indeed launched a fierce counter-offensive to a new counter-offensive to a new product. When Cadbury first test-marketed Wispa in the Autumn of 1981, it prompted Rowntree to accelerate plans to bring out a chunky version of its Aero bar in the mid-1982. "Cadbury have seemed a bit slow in wholeheartedly supporting Wispa and it may lose out in the end."

Although the Aero huddles are higher than those in a Wispa, the chunky Aero still offers the same sort of light chocolate bar. Rowntree test-marketed the new style bar in Yorkshire in September last year, and subsequently distributed it nationally from the Spring of this year. It is priced at 15p—1p less than Wispa. Trade estimates suggest it could eventually outsell the original Aero bars.

Whether it will outsell Wispa is another matter. In the Newcastle area the trade says that Wispa is heavily outselling the new Aero—but that is not too surprising, given the heavy promotional support for Wispa. Cadbury's Hawking also denies that there is any reluctance by Cadbury to supporting Wispa.

"It's a matter of being able to make enough Wispa to meet the demand from the Tyne-Tees area—which represents about 5 per cent of the chocolate-consuming public," he says. "Wispa sales were extended earlier this month to Northern Ireland—which is one of the highest per capita chocolate consuming parts of the UK—but Hawkins refuses to say how soon it will be before Wispa can be sold nationally, especially in the lucrative South-Eastern part of the country. Cadbury, it would seem, is hoping for a whispering campaign to induce chocolate lovers to start a national clamour for Wispa."

Advertising in 1983

Doing very nicely

BRITAIN'S advertising industry has many reasons to be well satisfied with its progress in 1983.

In terms of expenditure, advertising has performed exceptionally well with every single media sector—including classified—doing very well. This, suggests Mike Waterson, research director of the Advertising Association, is generally a good indicator of real economic recovery. "In fact advertising expenditure is at an all-time high. Which ever way you look at it," he says, "in absolute terms, as a percentage of GNP, it's high. The last time this was the case was 1978—it's taken this long to crawl back."

In fact the media cake has swollen by 9 per cent in real terms, the largest for many years. It's highly unlikely that this rise across the board is accidental, says Waterson. There's been a tremendous surge in company profits which, combined with a rise in consumer spending, means companies can see their markets expanding and are feeling more confident. Historically, whenever company profits and consumer expenditure have risen, advertising follows.

It has been a year which has seen a significant shift in attitudes to advertising—what it can and cannot do—with the industry winning allies and convincing people (many at government level) of its value as consumers' friend rather than gratuitous manipulator.

Recent moves by many of the professions—particularly opticians, solicitors and accountants—towards marketing themselves (backed in the opticians' case by the Government) is regarded by Waterson as a revolution in how advertising is perceived. The optician's affair is the first instance he knows of Government (Office of Fair Trading), consumer groups (Consumers' Association, the National Consumer Council) and the advertising industry having concurred in such a way. "There's been enormous interest all round," he says of the professions. "It's important not so much for the revenue it might generate—which will be low initially—but for the principle of the thing."

Those pioneers of the industry to have gone public have turned in respectable, and in *Satchi's* case, notable results. In this way, the industry has doubled to £11.2m in the 12

months to September 1983, out-performed them all. Its turnover, too, more than doubled. Most of this was through acquisition, though a healthy 35 per cent was organic growth.

Wright Collins Rutherford Scott reported substantial interim profits of £204,000 for the first time since going public (having lost £121,000 in the 1982 first half), plus gaining about £8m of new business.

Burnings paid the price for heavy investment in its regional offices with pre-tax profits to end September halved at £252,000, though the outlook for 1984 is good.

Not so happy is Geers Gross which suffered stock market blues with only a modest rise in interim profits and no rise in interim dividend.

Record revenues

Commercial television, despite a shaky start to the year, with Channel 4 and TV-am's baptism by fire, ends on a high note. Record revenues are reported for October with a 34.4 per cent rise on 1982 of £94.8m. November beats that to show the largest monthly figure of £96.6m, a 25 per cent rise on 1982.

The Independent Television Companies Association reports a buoyant second half with ITV (including Channel 4) attracting 53.4 per cent of total viewing audience against BBC 1 and 2—a considerable improvement on 1982 which was 45.5 per cent without Channel 4.

One area where there's no progress to report is the interminable Equity-IPA dispute now rumbling into its second year—a real problem, which has made life difficult for TV-am and Channel 4.

Commercial radio spawned three new stations and closed one. It's been a satisfactory year for this young medium, national advertising which started the medium in 1982 stayed for 1983. The most notable was Kleenex, which jettisoned its television links so good were its radio results, and now plans a total national radio campaign for 1984.

The top 20 agencies have been shaken and stirred by various mergers, account fixings and international alignments. Media independents have come more to the fore this year with two of the top three, TMD and Chris Ingram, billing £30m and £24.4m respectively.

They have noted with very amusement the trend among large agencies to siphon off their own media departments as separate entities (Horizon at Young and Rubicam, Mercury Media at Benton and Bowles).

Frank Lowe bocked his young agency many leagues up the chart for its merger with the internationally linked but beleaguered Waseys.

Davidson Pearce, the UK's third largest agency, celebrated its most spectacular year by increasing its billings by 31 per cent since its management buyout from Ogilvy and Mather in February.

New advertisers continue to join the ranks. In particular the financial sector shows the most growth—35 per cent. Government expenditure is up some 27 per cent, including local government and services recruitment campaigns.

For the poster business it has been a year of getting its act together. "The market has changed dramatically," says John Watts, chief executive of Mills and Allen, "from a slow moving long-term market to an extremely fast one. It's coming to date, with a bang. Where short term used to mean booking in January for April, May and June, it now means talking about January in mid-December."

Despite the future about data protection and privacy recently aimed at direct mail, now the nation's third largest advertising medium, the Direct Mail Sales Bureau reports that it has never been so widely considered as an alternative by advertisers.

There's considerable room for improvement in the way the press markets itself and services its advertisers, according to Ken Miles of the Incorporated Society of British Advertisers. Cooperation among newspapers is long overdue, though the Newspaper Conference, early next year, hopes well.

Significantly, classified advertising (the first area to drop away in a recession since it consists of 40 per cent of jobs) returned from being a pitfall in 1980-81 to jump by nearly 10 per cent in real terms over the last six months of 1983. "It's blindingly obvious," says Mike Waterson, "that the classified sector is 'classified' reflects the reality of the economy."

Feona McEwan

TECHNOLOGY

APPLE STAKES ITS FUTURE ON AN INNOVATIVE PERSONAL COMPUTER?

Will 'Mac' make it big on 'broadway'?

BY LOUISE KEHOE IN SAN MATEO, CALIFORNIA

FOR APPLE Computer, the future depends on "Mac," a personal computer that is expected to be unveiled at the company's annual meeting on January 24.

By then, however, "Mac" will be old news and the hundreds of analysts that follow the fast-paced, multi-billion dollar personal computer industry will already have voted "Mac" a hit or a miss.

The introduction of a personal computer is a major event for any manufacturer. For Apple Computer, the introduction of "Mac" is critical. If the product is successful, Apple could regain its crown as the leading U.S. personal computer, minicomputer, and supercomputer manufacturer.

With so much riding on the event, it is being planned like a major theatrical production. Sneak previews are underway. These intimate showings of Mac are being staged in Apple's purpose-built product introduction theatre, complete with curtain-like partitions that are drawn back dramatically to reveal the product as the climax of the show. The Apple Theatre is currently running daily performances selected audiences of journalists, industry analysts, retailers, and distributors who are invited to meet Apple's executives for a preview of the product.

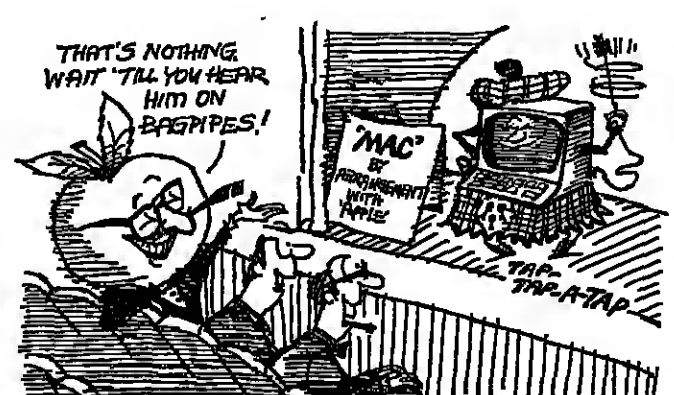
All attendees are required to sign non-disclosure agreements, lest they should be tempted to upstage Mac's first public performance at Apple's annual

meeting in January. Apple, and its publicity agents, are old hands at the product introduction shows. Last year the company revealed "Lisa" with similar dramatic art. In that case, the previews were a great success, but the show did not last on the road. Lisa is acknowledged technically superior personal computer, but it has not been a great success in the marketplace. Retailers continue to complain that Apple's Lisa is too expensive to compete with other computers, despite an 18 per cent price reduction in September.

Recently Apple president John Sculley acknowledged that Lisa was a disappointment. "We learned a lot from Lisa," he said. "Most of it was positive, but we made mistakes." Apple's biggest error, Sculley acknowledges, was introducing the product in January and then not shipping it until June. "The publicity was wasted," says Sculley.

Apple III, Apple's previous introduction was also a flop. Although the company is now putting significant effort into reviving the III, the computer carries a heavy weight of negative publicity, and indifference from retailers.

So Apple badly needs "Mac" to be a hit. According to those who have seen it, "Mac" will introduce thunderous applause. The machine is said to incorporate many of the innovative features of "Lisa" at a price that will appeal to a much wider audience. Like Lisa, Mac will



be easy to use. A "mouse" pointer and a set of "icons" on the video screen will replace keyboard commands to direct the computer.

"Mac" has been called ugly, but its "footprint" is handsomely small. That is to say, it will take up very little desk space—a criticism of earlier Apples. Mac's brain is a 68000 microprocessor—more powerful than the 8088 used in IBM's PC. The machine will come with plenty of internal memory and will be equipped with a new type of micro-disk drives measuring only 3.5 inches in diameter.

Mac will have its own way of doing things on a proprietary operating system. It will not be immediately compatible with either the IBM Personal Computer or Apple's earlier pro-

ducts. The all important library of applications software available for Mac will, however, include a plentiful supply of business and home programs. Hundreds of software companies have been secretly developing programs for Mac over the past year. That, in itself, is seen as an industry vote of confidence.

When the curtain goes up, Apple and its shareholders will be biding their breaths. Mac now seems sure to meet with instant acclaim, but the real test for Apple will be whether Mac can reach the "broadway" of mass appeal in the personal computer market, or whether it will, like Lisa, remain an off Broadway hit, that appeals only to the cognoscente of desktop theatre.

ADVANCE IN METER READING METHODS

Why the meter man should never have to call twice again

By PETER MARSH

METER READERS employed by electricity boards may soon experience a marked upturn in job satisfaction. A device sold by a company in Surrey promises to reduce the time they waste calling on houses when no one is at home.

One is at home, the meter reader can measure electricity consumption even when the house is empty. Normally, such people can gain a reading only by physically inspecting the meter, which may be in the basement of the house or under the stairs.

The equipment produced by Infratec of Woking channels information from the meter to a light cell fitted into the front door. The electricity-board employee can then obtain a reading simply by pointing an infra-red detector at the front of the house.

The instrument translates the series of pulses that the cell emits into a figure for the level of consumption, which is recorded in an electronic memory. Several of Britain's electricity boards are taking to Infratec about buying the hardware. All the boards are concerned at the inefficiency of reading meters by employing inspectors. Sometimes half the calls that these people make are futile because

the householders are out.

In one option, the electricity supply industry is experimenting with ways of obtaining data about consumption without the need for inspectors. For example, the information could be sent to the board's headquarters by radio waves or by the telephone network.

But Infratec, which is partly owned by another company called Micro Control Systems, says that its technique could be employed far more easily.

The modifications to each house would cost only about £10, says the company. The electricity boards would also need to equip their inspectors with infrared detectors, which look like large torches, at a cost of a few hundred pounds each.

According to Infratec, the "torches" could be linked to instant billing machines, which the staff employed by the electricity boards would carry around with them.

The machines would receive information from the detectors and convert this to a bill, which could be immediately put through the householder's letter box. In this way, the cost of administering accounts and posting bills could be sharply reduced.

A key part of Infratec's

system is the hardware that collects information directly from the meter. Mr Donald Bent, a director of Infratec, says this is so simple that he is surprised no one has thought of the idea before.

A small infrared transmitter is clipped to the side of the electricity meter. "This directs rays at the disc inside the meter that revolves at a velocity proportional to the rate at which electricity is consumed. A small black mark on the disc indicates when the disc has made a complete revolution."

By "watching" for this black mark, the transmitter monitors the level of consumption. A small package of electronics converts this figure into a reading which is channelled by electric signals along wires to the front door.

The advantage of this technique, says Infratec, is that the householder does not need to tamper with his meter in any way.

In another possibility, offices or factories could employ the same system to channel information from meters to central computers, for example as part of schemes to monitor energy consumption.

Cloth cleaned, pocket suited

BY ANTHONY MORETON

MANY OF the new fibres and new dyeing and printing processes introduced in the textile industry during the 1960s and 1970s—just before the cost of energy took off. The industry is therefore now engaged in a hunt for every possible energy-saving process.

The Shirley Institute in Manchester, the leading research body in the cotton and man-made fibre side of the industry, has, as part of a programme aimed at developing optimum low-energy pathways for textile finishing, designed and developed a new steam purge impregnation system.

This overcomes the problem of inadequate wetting-out cloth, which was a major stumbling-block to efficient energy use in fabric finishing and provides

the key to single-stage, more streamlined processing. Textile finishing may be divided into three distinct phases: cloth preparation, dyeing or printing to impart colour and pattern; and application of a range of chemical and mechanical treatments to give the cloth dimensional stability and enhanced performance—that is, minimum-care, shrink-resistant, water-proof, low-flammability properties.

Steam purging is carried out at the first, preparatory stage, at which the cloth is thoroughly cleaned of all impurities, fats, waxes, lubricating oils and size, usually by immersing the cloth in hot alkaline solutions of detergent.

The steam purge prior to this scouring process ensures com-

plete wetting-out of the fabric, which in turn makes all subsequent processing much more efficient, and is applicable to fabrics made from all types of fibre, even those which cannot be completely wetted out using conventional techniques.

Dr John Roberts, manager of the Institute's energy group, who has been leading this work, is confident that use of the new machine in conjunction with a combined desize, scour and bleach at low temperature can reduce the level of energy use and make significant cost reductions.

Shirley has worked in collaboration with Sir James Farmer Norton (International), a major UK finishing machinery manufacturer, to develop the new system purge impregnation system.



Apple's Lisa, above, featured innovations derived from the Xerox 'Alto' research program including multiple screen windows and icons, right. Despite critical acclaim, cost and poor marketing strategy meant it failed to make much impact

EDITED BY ALAN CANE

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Computing Readers digested

IN FEBRUARY, authors will receive their first royalties through the Public Lending Right—via a computer that has in its 680-megabyte store some 7,750 registered authors names and over a million book titles.

Lotus has designed the special-purpose software; and has also supplied a Perkin Elmer 3210 computer for the job. The first PLR payments will be calculated from nearly 5m loans recorded in 16 sample libraries between January and June 1983. As each book is issued to the borrower, its label is read electronically to record the loan on the local library's database. The data will be transferred in bulk monthly to the main PLR machine at Stockton on Tees. By reading up loans at the 16 sample libraries are used to determine what proportion of the available £2m each book has earned nationwide. There is a minimum limit of £1 per book and a maximum of £500 per author. Lotus is on 01-557 9111.

Communications Microwave radio link

MICROWAVE ASSOCIATES has introduced a lightweight portable microwave radio link suitable for medium- or short-range transmission of monochrome picture signals.

The hardware will link cameras and picture monitors, particularly in mobile units. The link is frequency modulated and works in any allocated channel in the 1.2 to 2.0 GHz band. The transmitter and receiver have a high-gain, directional antenna and an on-axis directional aerial. The unit works from a 12 volt supply and the range is up to about five metres. More on 0682 601441.

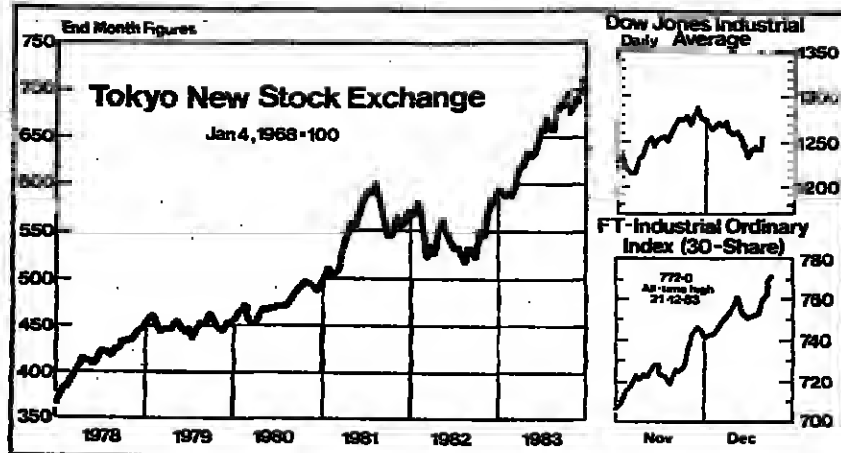
SECTION III - INTERNATIONAL MARKETS

FINANCIAL TIMES

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KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	Dec 21	Previous	Year ago
DJ Industrials	1254.98	1241.97	1030.25
DJ Transport	598.79	591.09	439.52
DJ Utilities	131.17	130.78	117.02
S&P Composite	163.58	162.00	138.61

LONDON	Dec 21	Previous	Year ago
FT Ind Ord	772.00	768.80	593.40
FT-A All-share	468.05	464.87	380.41
FT-A 500	499.30	496.66	420.34
FT-A Ind	460.75	459.70	364.61
FT Gold mines	580.10	570.10	529.70
FT Govt Secs	82.93	82.70	80.11

TOKYO	Dec 21	Previous	Year ago
Nikkei-Dow	9717.65	9627.83	7810.15
Tokyo SE	712.27	708.53	576.88

AUSTRALIA	Dec 21	Previous	Year ago
All Ord.	758.10	757.80	467.80
Metals & Mins.	546.20	545.40	389.40

AUSTRIA	Dec 21	Previous	Year ago
Credit Aktien	55.78	55.91	49.50

BELGIUM	Dec 21	Previous	Year ago
Belgen SE	135.18	134.79	98.89

CANADA	Dec 21	Previous	Year ago
Toronto Composite	2537.77	2511.60	1864.30
Montreal Industrials	442.99	437.59	315.03
Combined	425.42	421.63	311.10

DEENMARK	Dec 21	Previous	Year ago
Copenhagen SE	204.44	202.23	94.98

FRANCE	Dec 21	Previous	Year ago
CAC Gen	149.70	149.20	95.40
Ind. Tendance	160.50	159.90	118.30

WEST GERMANY	Dec 21	Previous	Year ago
FAZ-Aktien	346.23	345.25	247.85
Commerzbank	1024.90	1021.20	747.90

HONG KONG	Dec 21	Previous	Year ago
Hang Seng	857.56	858.53	753.16

ITALY	Dec 21	Previous	Year ago
Banca Compt.	189.65	189.54	185.20

NETHERLANDS	Dec 21	Previous	Year ago
ANP-CBS Gen	146.40	147.80	97.80
ANP-CBS Ind	122.80	123.20	82.50

NORWAY	Dec 21	Previous	Year ago
Oslo SE	214.88	213.38	95.26

SINGAPORE	Dec 21	Previous	Year ago
Straits Times	981.83	985.74	727.54

SOUTH AFRICA	Dec 21	Previous	Year ago
Gold	860.8	846.2	855.40
Industrials	941.6	937.1	726.90

SPAIN	Dec 21	Previous	Year ago
Madrid SE	118.14	118.26	99.29

SWEDEN	Dec 21	Previous	Year ago
J & P	1451.77	1449.25	883.25

SWITZERLAND	Dec 21	Previous	Year ago
Swiss Bank Ind	375.70	372.30	276.40

WORLD	Dec 21	Previous	Year ago
Capital Int'l	179.20	178.70	150.90

GOLD (per ounce)	Dec 21	Previous	Year ago
London	\$378.375	\$377.875	
Frankfurt	\$378.75	\$378.00	
Zurich	\$378.75	\$378.25	
Paris (fixing)	\$378.65	\$375.44	
Luxembourg (fixing)	\$378.55	\$375.25	
New York (Dec)	\$377.80	\$379.40	

* Latest pre-close figure; † Latest available figure

WALL STREET

GNP growth
forecast
raises hopes

The year-end rally moved into full stride on Wall Street yesterday when the Commerce Department, in its "flash" forecast for the final quarter of the year, predicted a lower rate of growth in U.S. gross national product than the bond market had been expecting, writes Terry Byland in New York.

The announcement, which was quickly followed by optimistic comments from Mr Donald Regan, the Treasury Secretary, brought a rapid recovery in bond prices from the falls suffered late on Tuesday, on disappointment with the terms of the Treasury's \$15bn refunding programme, to be put into effect next week.

The market's own optimism also showed itself in a sharp jump in leading stocks in the early part of the session.

The advance slackened at mid-session, but the market was led forward again in the final hour of trading when there was renewed support for leading stocks. The Dow Jones industrial average ended 13.01 higher at 1254.98, with turnover showing a significant increase at 107m shares.

The Commerce Department's forecast was regarded on Wall Street as a welcome indication that the economic recovery is proceeding at a more restrained rate, and is thus less likely to provoke intervention by the Federal Reserve to tighten credit policies.

Also steady sentiment was news that consumer prices rose by only 0.3 per cent last month, a further sign that inflationary pressures are less fierce than has been thought.

Among those to lead the stock market ahead were IBM \$1½ up at \$123½; General Motors \$½ better at \$74; Honeywell \$2 ahead at \$137½; and General Electric up \$1¼ to \$57½.

Widespread gains were again achieved among the airline issues, with AMR, parent of American Airlines, up \$½ at \$37½ and UAL (United Airlines) \$½ higher at \$37½. The Dow Jones transportation average was also boosted by gains in rail issues.

A recommendation for oil shares by a major brokerage house - which believes the sector has been left behind because of the doubts over oil prices - brought a gain of \$¼ to \$37½ in Exxon, and \$2¼ to \$42 in Atlantic Richfield.

Among the most active stocks was MGM-UA which slipped \$¼ to \$14½ on turnover well above 1m shares as stockholders took the view that no counter-bid to Mr Kirk Kerkorian's terms would be forthcoming and sold their stock to arbitrageurs who will "warehouse" it until the bid is finalised.

K-mart, \$½ higher at \$33, responded vigorously to the reports of excellent Christmas trading. But other retailers had a subdued session.

Sony, the Japanese electrical products manufacturer, added \$½ to \$15½, taking its lead from the strong rally in the Tokyo stock market.

Other firm features included American Express at \$31½, still recovering poise after the recent warning on this year's earnings prospects.

Among the home computer manufacturers, Coleco Industries, fell \$¼ to \$18½ as doubts over the sales progress of the group's new Adam computer strengthened after J. C. Penney, the store group, said that it had removed the Adam from its list.

In the credit markets, yields slipped lower following the GNP forecast from the Commerce Department. Trading

was not heavy but dealers saw some retail buyers for a change.

The traditional weekly make-up day operations at the banks kept the Federal funds rate high at first, but it eased to 9½ per cent later after minor help by the Federal Reserve in the form of bill purchases.

The three-month Treasury bills were at a discount of 8.94 per cent against 9.02 per cent overnight, and the six-month at 9.17 per cent against 9.24 per cent.

At the longer end, where inflationary expectations have been a significant factor recently, yields shed seven to 10 basis points. The key long bond traded at 100½% from 100½% overnight, and yielded 11.90 per cent.

In the municipal bond market, prices added around half a point after a major underwriter suspended trading in Guam development bonds pending discussions with the U.S. Treasury regarding an apparent change of official policy on the tax-exempt status of territories classed as associated with the U.S., but not as states of the union.

Suspension of the Guam loan puts \$850m back into the market, and this figure could rise to \$1bn if other similar loans are suspended. Some of this cash found its way into other municipals, lifting the interstate power agency bonds to 98, against 97½ on Tuesday.

TOKYO

Foreigners
arrive
in force

A BROADLY BASED surge in prices of chemical, textile, shipbuilding and big-capital steel stocks, triggered by heavy foreign buying of large-capital issues generally, sent Tokyo soaring to a second successive peak yesterday, but the spiralling prices alarmed some investors, writes Shigeo Nishiwaki of Jiji Press.

The Nikkei-Dow market average added 89.72 to finish at 9,717.65, above the 9,700 level for the first time. Volume, a record 740.59m shares against Tuesday's 500.25m, was the largest since 721m shares were traded on February 2.

Heavy foreign institutional buying was identified in medium and low-priced big-capital issues. Foreign buying in the morning session amounted to 55m shares, compared with foreign selling of 28m, according to Daiwa Securities.

Buying on hopes of year-end rises was thus further spurred by heavy foreign purchases. Foreigners showed a particular interest in Mitsubishi Heavy Industries, which climbed ¥8 to ¥272.

Other big-capital issues rising sharply were Sumitomo Chemical, up ¥11 to ¥205; Nippon Steel, up ¥8 to ¥170; Kawasaki Steel, up ¥7 to ¥180; and Nippon Kokan, up ¥8 to ¥146. Blocks of 1m shares were noted being bought from abroad.

The bond market had a firm trading session, helped by improved supply-demand conditions, more extensive dealings by financial institutions, especially city banks; and purchases by industrial corporations and financial institutions serving the agricultural and forestry sectors.

The yield on the benchmark 7.5 per cent long-term government bond, maturing in January 1983, hit a low of 7.4 per cent at one stage. The 7.5 per cent bond traded on the inter-broker market was also quoted at a low of 7.41 per cent, down from Tuesday's 7.435 per cent.

Trading in convertible bonds on the Tokyo Stock Exchange hit an all-time record high of ¥92bn.

LONDON

Bank's view
assists
record run

A MILDLY OPTIMISTIC quarterly bulletin from the Bank of England, declaring that the UK economy is now among the world leaders, helped London equity markets to continue their record-breaking run yesterday.

The Middle East bid of up to 395p per share for a stake in Kleinwort Benson prompted it to jump 53p to 420p and sparked off a further wave of speculative activity in the merchant bank sector.

Blue chip industrials moved narrowly in thin trading, but the FT Industrial Ordinary index closed 2.2 up at a peak of 772.0.

Government securities had late gains in the longs extending to ½ while shorter maturities closed marginally higher.

Details, Page 23; Share information service, Pages 24-25

AUSTRALIA

THE FIRMER world bullion price helped to revive gold stocks in Sydney, and industrial issues also edged ahead, allowing the All Ordinaries index to close 0.2 firmer at 758.1.

However, the latest round of local bank prime rate cuts failed to inspire investors, whose focus remained on U.S. interest rates and their impact on metal prices.

HONG KONG

LEADING STOCKS were mixed at the end of the regular half-day trading session in Hong Kong and the Hang Seng index suffered a 0.97 setback to 857.56. Business continued to be thin.

Among leaders, Cheung Kong added HK\$1.05 to HK\$1.05, while Hongkong Bank put on 5 cents to HK\$7. Hongkong Land fell 3 cents to HK\$3.82.

Hutchinson Whampoa and Jardine Matheson each shed 20 cents to HK\$14.10 and HK\$10.90 respectively.

SINGAPORE

PROFIT-TAKING and a lack of fresh buying left shares easier for the third consecutive day in Singapore. The Straits Times industrial index dipped 3.91 to 981.83.

The plantation sector proved an exception to the trend, led by K.L. Kepong, which added 2 cents to S\$3.12 after announcing higher sales and after-tax profits for the year to September 30.

SOUTH AFRICA

A REVIVAL in Johannesburg gold shares was followed immediately by profit-taking, to leave prices well off their highs for the day, with trading quiet and institutional involvement said to be minimal.

Of the mining houses, Anglo-American managed a 20 cent gain at R19.50 and Gold Fields advanced SA 50 cents to R24.75. De Beers firmed 5 cents to R9.

CANADA

AN EARLY setback in Toronto was swiftly corrected as oil and gas issues joined golds in providing a strong showing. Base metals and the industrial side were more muted.

By contrast, Montreal industrials were to the fore, followed by the utilities sector, but selling was evident among the major quoted banks and the papers group.



EUROPE

Tidying up
uncovers
bargains

STRONG PERFORMANCES were recorded in many European centres yesterday as investors tidied their operations for the year and looked forward with optimism to signs of an economic upturn in 1984.

An active day's trading in Zurich took the industrial index up 3.4 to 375.7 - a high for the year. The chemicals and general indices were also at peaks.

Heavy demand sent Oerlikon-Bührle up Sfr 40 to Sfr 1,280, and it led the bourse higher. The buyers were said to be private banks in Geneva whose interest was whetted by the market view that the company's arms order inflow was better than expected.

Bond prices continued to advance slightly in moderate activity.

Continued strong foreign demand for publishers was a feature of a mainly higher Amsterdam. Elsevier opened at a record high of Fl 406 and continued to advance to Fl 505 - Fl 13 up on the previous session. VNU added Fl 2 to Fl 125.30.

The bond market moved slightly lower. Brussels remained firm, despite a drop in activity. Among holding companies, Groupe Bruxelles Lambert added Bfr 15 to Bfr 2,295 and Société Générale Bfr 5 to Bfr 1,680.

Banks were in particular demand in Frankfurt. Deutsche added DM 6.70 to DM 330.20, while Commerzbank and Dresdner each rose DM 3 to DM 167 and DM 170.50 respectively.

Among industrials, Thyssen rose DM 1.50 to DM 80.

Bonds held steady and the Bundesbank sold DM 54m of paper to balance the market after Tuesday's DM 64.3m sales.

In Milan, AT&T's announcement that it had agreed in principle to buy around 25 per cent of Olivetti was met with enthusiasm. Olivetti, which at the lunch-time official close was down L39 on the day at L3,811, ahead of the announcement, was later quoted at L3,950 in after-hours trading. Elsewhere, shares were mixed following the previous session's rally.

Early sentiment in Paris was boosted by a cut to 12½ per cent in daily call money rate from 12 per cent, but activity later subsided.

Thomson-CSF added Ffr 6 to Ffr 191 after an announcement by the Stockbrokers' Association that the state-owned Thomson-Brandt had increased its shareholding to more than 50 per cent from around 41 per cent.

Shares were steady in quiet Madrid trading. Commercial banks, which were out of favour on Tuesday, ended the day mixed.

In Stockholm, Pharmacia continued its advance, adding Skr 13 to Skr 323 as part of a broad recovery in the market.

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NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

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Continued on Page 21

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AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued on Page 22

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks, plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend, also extrat³ b-annual rate of dividend paid
 stock dividend c-outstanding dividend d-called d-new year
 low, e-declared declared or paid in preceding 12 months g-dividend
 paid this year, omitted deferred, or no action taken at latest date
 h-dividend paid in preceding 12 months i-dividend paid in
 preceding 12 months j-dividend paid in preceding 12 months
 k-dividend paid in preceding 12 months l-dividend paid in
 preceding 12 months m-dividend paid in preceding 12 months
 n-dividend paid in preceding 12 months o-dividend paid in
 preceding 12 months p-dividend paid in preceding 12 months
 q-dividend paid in preceding 12 months r-dividend paid in
 preceding 12 months s-dividend paid in preceding 12 months
 t-dividend paid in preceding 12 months u-dividend paid in
 preceding 12 months v-dividend paid in preceding 12 months
 w-dividend paid in preceding 12 months x-dividend paid in
 preceding 12 months y-dividend paid in preceding 12 months
 z-dividend paid in preceding 12 months

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FINANCIAL TIMES

BRITAIN'S BUSINESS NEWSPAPER

LONDON STOCK EXCHANGE

MARKET REPORT

RECENT ISSUES

Equities penetrate further into uncharted territory

Financials ablaze on bid speculation

Account Dealing Dates

First Declared Last Account
Dealing Date Dealing Date
Jan 16 Jan 27 Feb 6
Dec 12 Dec 29 Jan 9
Dec 12 Jan 13 Jan 23

... New issues...
place from 2.30 am two business days
earlier.

A mildly optimistic quarterly bulletin from the Bank of England declaring that the UK economy is now among the world leaders helped London equity markets to continue their record-breaking run ahead of the Christmas holiday. Seasonal influences continued to limit the volume of business but a firm undertone was maintained throughout the session and one corner of the market escaping the inhibitions was the Financial sector. Government stocks, little changed for most of the day, peaked up late in the afternoon on interest rate hopes.

The early announcement that a Middle East consortium was bidding up to 100p per share for up to 10 per cent of Kildare House prompted a jump of 5p in the latter's share price to 43p and sparked off a further wave of speculative activity in the financial sector generally.

Old hand favourites such as Hill Samuel and Schroders were particularly favoured, while Discount Houses were also caught up in the buoyancy. Royal Bank of Scotland, up sharply on Tuesday following the announcement that Lloyds Bank had increased its stake in the group to 21.3 per cent, moved up further on increasing hopes of a full-scale offer; Bank of Scotland rose in sympathy.

Blue chip industrials moved narrowly in this trading but, with the benefit of a strong start on Wall Street yesterday, the Financial Times Industrial Ordinary share index closed at its best of the day with a rise of 2.2 for an advance over the last six trading sessions of 21.5 to a new all-time peak of 772.0.

U.S. Treasury Secretary Donald Regan's reported prediction that U.S. interest rates should decline next year helped to revive flagging Government securities. Earlier, quotations had generally held overnight levels although some longer-dated stocks had returned a higher in sympathy with yesterday's improvement. After Mr Regan's remarks and firmer advice from Wall Street, gains in the long were expected to 3, while shorter maturities closed marginally higher. The FT Government Securities Index improved 0.23 more to 82.93, which compares with the year's high of 83.70 attained on November 11.

Kleinwort Benson jump
Financials held the limelight throughout the session. All sectors displayed sharp gains with Royal Bank of Scotland rising to 22p, after 20p, on hopes that Lloyds Bank would increase its recently-purchased stake. Bank of Scotland moved up 7p to 72p in sympathy with speculation among Merchant banks was in-

tense with Hill Samuel up 16p to 33p, Schroders 5p higher at 70p, and the recently-merged Charterhouse J. Rothschild 10p dearer at 115p; the Warrants of the last-mentioned jumped 50p. Easties put on 10 to 15p, after 15p, and Grundys 8 more to 163p. Discount Houses revived, too, and Alexander advanced 25 to 240p, while Cater Allen rose 20 to 425p and Smith St Anby 5 to 60p.

The Takeover Panel statement on the Eagle Star situation had no effect on the latter's share price which closed 8 up at 730p. Elsewhere in insurance, Belfair rallied after Tuesday's ease on Minet's latest results; Minet recovered 3 to 141p. Stewart Wrightson 7 to 290p and C. E. Heath 6 to 324p.

Henara made a surprisingly disappointing market debut; the shares, oversubscribed at the offer, sold at 65p, opened at 67p and slipped to 62p on selling before closing at 66p. The debut of Synterline in the Unlisted Securities Market was also unimpressive; after opening at 85p, well below the subscription price of 100p, the shares found a little support and settled at 90p.

Grand Metropolitan became volatile awaiting today's preliminary results; easier from the outset and down to 341p at one stage, the shares responded to increasing hopes of a full-scale offer, Bank of Scotland rose in sympathy.

Concern about Belfast-based White Mountain Quarries' plan to import West German cement into London early next year unsettled cement issues in the early trade, but most quotations picked up to close above the worst. Bina Circle, down to 415p initially, settled only 5p cheaper on balance at 410p, while RMC finished a couple of pence off at 390p, after 385p and Rugby Portland Cement recovered an early fall of a penny to close 4p dearer at 41p. Elsewhere in the Building sector, John Mowlem found support following a broker's recommendation and put on 14 to 202p, while the acquisition of Interdiv, dividend payments and the reference to the company's current strong trading position lifted British Building 12 to 41p for the year of 60p.

ICI, a shade easier for most of the session, picked up on renewed U.S. demand and closed a couple of pence dearer on balance at 65p. Lapsors also attracted late interest and armed to a 1983 peak of 340p, after 332p. Coates Brothers gained 8 to 82p and the A 3 to 82p following the acquisition of the Colonial Printing Ink divisions of Furukawa Electric by rising 17

FINANCIAL TIMES STOCK INDICES

	Dec 21	Dec 20	Dec 19	Dec 18	Dec 17	Dec 16	Dec 15	Dec 14	year ago
Government Securities	82.25	82.70	80.84	82.54	82.26	82.30	80.11		
Fixed Interest	86.09	85.96	85.96	86.81	86.81	86.65	81.45		
Industrial Bonds	77.21	78.58	78.61	76.93	76.82	75.11	69.48		
Industrial Stocks	58.07	57.91	55.62	64.01	57.25	57.70	52.77		
Corp. Div. Yield	4.59	4.39	4.02	4.23	4.55	4.55	4.05		
Earnings, Yld. % (full)	9.35	9.37	4.03	6.45	6.51	6.53	10.21		
P/E Ratio incl. %	13.05	16.02	19.94	12.29	13.83	12.81	11.21		
Total gains/losses	63.08	61.98	10.90	48.11	16.98	12.98	15.84		
Equity turnover	2.16	2.16	2.16	2.16	2.16	2.16	2.16		
Equity bargains	15,948	16,084	15,547	16,430	16,411	16,411	16,411		
Shares traded (mil.)	166.3	164.1	154.9	150.0	109.7	109.7	109.7		

OIL AND GAS—Continued

1983		Stock	Price	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983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410	Free State Dev. 50c	600	050c	2
411	Free State Dev. 50c	600	050c	2

[illegible]
$$| \mathcal{L} | = | \mathcal{L}_1 \cup \mathcal{L}_2 | = | \mathcal{L}_1 | + | \mathcal{L}_2 |$$

FT UNIT TRUST INFORMATION SERVICE[illegible]

INSURANCES

[illegible]

Insurances—continued

Albany Life Assurance Co Ltd			
3 Devkos Lane, Potters Bar			0709-4331
Reserve Funds			
Profit & Loss	66.0	050.5	+0.4
LongFdnAcc	96.1	101.1	-0.2
GlthPnAcc	421.0	433.1	---
FlndPnAcc	250.8	376.9	-0.9
LongFdnAcc	318.9	376.9	---
FlndPnAcc	318.9	140.0	+0.8
LongFdnAcc	323.4	321.0	+0.6
FlndPnAcc	323.4	321.0	+0.6
Capital Life Assurance			
3 Lndate Hill, EC4P 48.0.			
Key Inv Fd	---	123.84	---
LongFdnAcc	00.87	103.13	---
GlthPnAcc	00.87	103.13	---
FlndPnAcc	96.49	101.94	---
LongFdnAcc	96.49	101.94	---
FlndPnAcc	100.17	103.24	---
Commercial Union Group			
St James, 1 Underarth, EC3. 01-263 7500			
VarUnltd131	---	5148.87	---
LongFdnAcc	---	5148.87	---
GlthPnAcc	136.5	135.3	+0.2

**F.T. CROSSWORD
PUZZLE No. 5,300**

ACROSS

1 Count as an old gas-bag (8)
2 Matter giving rise to
scandalous gossip? (6)
3 A thoroughly competent
and very charming (8)
4 An evil cast that's excusable
(6)
5 Make a speech or organise
less (5)
6 Police order for proceed-
ings? (4, 5)
7 About 19 billion miles right
in outer space? (6)
8 Music master (7)
9 The gardener likes to see it
overgrown (7)
10 Fancy us to be stupid (6)
11 Result of a big blow to the
economy? (3)
12 Not a very good informer (5)
13 It's looped around a dog (6)
14 A fly-by-night returns to
revel in a scene of slaughter
(6)
15 In this one endures some
restraint (6)
16 Don't be fired at bosses'
order (8)

DOWN

1 For him to laze is unusual
(6)
2 Increase the strain (9)
3 Point to eradicate or delete
(5)
4 Cammelidae claims I am
converted (7)
5 He is not bound to release
a spy (4, 5)
6 Foreign friend has to leave
with another (5)
7 One girl I converted to the
faith (6)
8 Part of a clutch that can
easily be broken (4)

1	2	3	4
9			
12			13
	14		15
18			
19			20
23		24	
26			2
28			2

- 15 One has one of them, another three (9)
- 17 Throw a fight and spend the night worrying about it? (4, 5)
- 18 Took off for hurried round trip (6)
- 20 Take off a bad film, perhaps (4)
- 21 Large volume of transport? (7)
- 22 Either sing together or refrain (6)
- 24 What a debater takes to demolish an opponent (5)
- 25 A duty we no longer owe to the church (5)

Solution to Puzzle No. 5.299

S	A	P	A	I	N	E	A	S	T	N	A
S	O	A	A	N	E	A	A	A	C	T	A
S	E	A	V	E	A	A	A	A	I	C	T
S	E	A	S	E	C	A	A	A	P	E	N
S	E	C	A	C	T	N	A	A	O	R	A
S	E	P	L	A	T	E	A	A	A	N	I
S	E	G	M	T	A	A	A	A	F	A	N
S	A	C	T	V	A	T	E	A	R	A	D
S	A	P	E	A	S	A	A	A	T	P	E
S	A	P	E	A	S	A	A	A	T	P	E

Offshore & Overseas continued

Actibonds investment Fund SA		
37 rue Notre Dame, Luxembourg, 747		
Actibonds Inc	\$20.10	0 + 0.11
Alliance Capital Management Int Inc		
65/63 Queen St, London EC2, 01-348 6		
00000000000000000000000000000000		
Distribution Dec 1-13 (0.003051)		
HealthCrDec14	58.46	15.90 %
TechlogDec14	92.38	
00000000000000000000000000000000		
ARF Fund Managers Ltd		
P.O Box 384, St Helier, Jersey, 0534 72		
Sterilind	510.64	10.61
Bamford Brendt Guernsey Mngt Ltd		
P.O Box 71, 51 Peter Point, Goernsey,		
TechCom Dec 14	57.92	6.40
00000000000000000000000000000000		
PactBamFund	320.00	18.00
00000000000000000000000000000000		
Prism Shipley Tet Co (Jersey) Ltd		

Money Market Trust Funds

	Num	APR	Int cr
Mailfinhall Limited			
36 Berkeley Sq. W1X 5DA			01-49
MimihallMfd 6.41	5.71		Qtr
The Money Market Trust			
63 On Victoria St EC4N 4ST			01-23
Call Fund 8.79	8.99		6mth
7 day Fund 8.89	9.10		6mth
Oppenheimer Fund Money Management Ltd			
66 Cannon St. EC4N 6AE			01-23
Call Fund 8.44	8.51		6mth
7-day F 8.67	8.89		9mth
HighRiskDiac 8.44	8.51		6mth
DoHar 7.99	8.14		6mth

Money Market Bank Accounts

MAY 1960		APR	INT	CR
African Horse				
1 Wertheim St.	EC22A	21.00	01	43
2 Wertheim St.	EC22A	21.00	01	43
3 Wertheim St.	EC22A	21.00	01	43
4 Wertheim St.	EC22A	21.00	01	43
5 Wertheim St.	EC22A	21.00	01	43
6 Wertheim St.	EC22A	21.00	01	43
7 Wertheim St.	EC22A	21.00	01	43
8 Wertheim St.	EC22A	21.00	01	43
9 Wertheim St.	EC22A	21.00	01	43
10 Wertheim St.	EC22A	21.00	01	43
11 Wertheim St.	EC22A	21.00	01	43
12 Wertheim St.	EC22A	21.00	01	43
13 Wertheim St.	EC22A	21.00	01	43
14 Wertheim St.	EC22A	21.00	01	43
15 Wertheim St.	EC22A	21.00	01	43
16 Wertheim St.	EC22A	21.00	01	43
17 Wertheim St.	EC22A	21.00	01	43
18 Wertheim St.	EC22A	21.00	01	43
19 Wertheim St.	EC22A	21.00	01	43
20 Wertheim St.	EC22A	21.00	01	43
21 Wertheim St.	EC22A	21.00	01	43
22 Wertheim St.	EC22A	21.00	01	43
23 Wertheim St.	EC22A	21.00	01	43
24 Wertheim St.	EC22A	21.00	01	43
25 Wertheim St.	EC22A	21.00	01	43
26 Wertheim St.	EC22A	21.00	01	43
27 Wertheim St.	EC22A	21.00	01	43
28 Wertheim St.	EC22A	21.00	01	43
29 Wertheim St.	EC22A	21.00	01	43
30 Wertheim St.	EC22A	21.00	01	43
31 Wertheim St.	EC22A	21.00	01	43
32 Wertheim St.	EC22A	21.00	01	43
33 Wertheim St.	EC22A	21.00	01	43
34 Wertheim St.	EC22A	21.00	01	43
35 Wertheim St.	EC22A	21.00	01	43
36 Wertheim St.	EC22A	21.00	01	43
37 Wertheim St.	EC22A	21.00	01	43
38 Wertheim St.	EC22A	21.00	01	43
39 Wertheim St.	EC22A	21.00	01	43
40 Wertheim St.	EC22A	21.00	01	43
41 Wertheim St.	EC22A	21.00	01	43
42 Wertheim St.	EC22A	21.00	01	43
43 Wertheim St.	EC22A	21.00	01	43
44 Wertheim St.	EC22A	21.00	01	43
45 Wertheim St.	EC22A	21.00	01	43
46 Wertheim St.	EC22A	21.00	01	43
47 Wertheim St.	EC22A	21.00	01	43
48 Wertheim St.	EC22A	21.00	01	43
49 Wertheim St.	EC22A	21.00	01	43
50 Wertheim St.	EC22A	21.00	01	43
51 Wertheim St.	EC22A	21.00	01	43
52 Wertheim St.	EC22A	21.00	01	43
53 Wertheim St.	EC22A	21.00	01	43
54 Wertheim St.	EC22A	21.00	01	43
55 Wertheim St.	EC22A	21.00	01	43
56 Wertheim St.	EC22A	21.00	01	43
57 Wertheim St.	EC22A	21.00	01	43
58 Wertheim St.	EC22A	21.00	01	43
59 Wertheim St.	EC22A	21.00	01	43
60 Wertheim St.	EC22A	21.00	01	43
61 Wertheim St.	EC22A	21.00	01	43
62 Wertheim St.	EC22A	21.00	01	43
63 Wertheim St.	EC22A	21.00	01	43
64 Wertheim St.	EC22A	21.00	01	43
65 Wertheim St.	EC22A	21.00	01	43
66 Wertheim St.	EC22A	21.00	01	43
67 Wertheim St.	EC22A	21.00	01	43
68 Wertheim St.	EC22A	21.00	01	43
69 Wertheim St.	EC22A	21.00	01	43
70 Wertheim St.	EC22A	21.00	01	43
71 Wertheim St.	EC22A	21.00	01	43
72 Wertheim St.	EC22A	21.00	01	43</

[illegible]

Worldview Inc. 15120 80 221.221
Valued weekly on Wednesday

number

NOTES
 * unless otherwise indicated.
 † with no prefix refer to U.S.
 ‡ shown in last column allows for
 § Offered prices include
 ¶ y's prices. † Yield based on offer
 ‡ ed. § Today's opening price
 † price of UK tax. ‡ Period
 † price plans. ‡ Single
 † offered price includes all expenses
 † cumulation † Offered price includes
 † through managers. ‡ Pending
 † Guernsey gross. † Suspended
 † Jersey tax. † Ex-husband's
 † to charitable bodies. † Value
 † rate of NAV increases

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar firm, but below best

The dollar was firm on the foreign exchanges yesterday, but trading was very thin ahead of the Christmas holiday, and the U.S. currency finished below its highest levels of the day. Speculation about a tightening of Federal Reserve monetary policy as a result of inflationary pressures caused by fast economic growth continued to underpin the dollar.

The retreat in late European trading followed publication of the U.S. Government's early flash estimate of fourth quarter Gross National Product. The figure of 4.5 per cent was much lower than market expectations of around 6 per cent, although dealers pointed out that revised flash estimates have been revised upwards later.

Remarks by Mr. Donald Regan, U.S. Treasury Secretary, that moderating economic growth and low inflation seem to point towards lower interest rates, also helped to pull the dollar back during the afternoon. This was partly offset however by the announcement from the U.S. Treasury on Tuesday of its \$150m mini refunding package, which is expected to keep upward pressure on rates.

The dollar rose to DM 2.7715 from DM 2.7660 against the D-mark, and to Sfr 2.2140 from Sfr 2.2060 against the Swiss franc.

In terms of the Swiss franc, and Y224.70 against the yen.

Its trade-weighted index on Bank of England figures rose to 180.5 from 180.3.

Trading range against the dollar in 1983 is 1.6245 to 1.6140. November average 1.6772. Trade-weighted index 82.1 at 00.00, 82.0 at the opening, 81.9 at the previous close, and 84.3 six months ago.

Sterling was the main beneficiary from the late easing of the dollar, after a day when the pound displayed a generally more confident look. It opened little changed at \$1.4190-1.4200, fairly near the day's low of \$1.4180-1.4190, but rose to a peak of \$1.4275-1.4285 in the afternoon.

Before closing at \$1.4220-1.4230, a rise of 35 points on the day.

The pound also gained ground against Continental currencies and the yen, rising to DM 3.9450 from DM 3.9275; Sfr 12.03 from Sfr 11.9850; and ¥254.25 from ¥253.25.

D-MARK — Trading range against the dollar in 1983 is 2.7780 to 2.7320. November average 2.6547. Trade-weighted index 124.2 against 127.5 six months ago.

The dollar was fixed higher against the D-mark at yesterday's fixing in Frankfurt at DM 2.7705 compared with DM 2.7657 on Tuesday. There was no intervention by the Bundesbank and business volume remained subdued ahead of Christmas.

Sterling was higher at DM 3.9550 from DM 3.9250 while the Swiss franc slipped to DM 1.2525 from DM 1.2530. Within the EMS the Belgian franc was unchanged at DM 4.9090 per Bfr 100 and the French franc eased slightly to DM 52.795 from DM 52.785.

BEIGIAN FRANC — Trading range against the dollar in 1983 is 56.56 to 48.90. November average 54.53. Trade-weighted index 89.2 against 92.5 six months ago.

The Belgian National Bank did not intervene in the foreign exchange market in the week up to last Monday. The bank spent the equivalent of Bfr 8.600 the previous week. Central banks have not intervened to any great extent just recently owing to the proximity of Christmas and a reduction in volume.

The dollar rose to Bfr 56.4925 from Bfr 56.3685 and the French franc was lower at Bfr 6.6675 from Bfr 6.6720.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU	Current rate	% change from Dec 21	% change from Dec 21	% change from Dec 21
Belgian franc	44.5008	46.5008	+2.40	+1.76	+1.547
French franc	52.7657	52.7657	+0.00	+0.00	+0.000
German D-Mark	1.9363	1.9363	+0.00	+0.00	+0.000
Italian Lira	1,936.3	1,936.3	+0.00	+0.00	+0.000
Dutch Guilder	2.20371	2.20371	+0.00	+0.00	+0.000
Spanish Ptas	166.639	166.639	+0.00	+0.00	+0.000
Portuguese Escudo	200.482	200.482	+0.00	+0.00	+0.000
Irish Pounds	7.87564	7.87564	+0.00	+0.00	+0.000
UK Pounds	1.49303	1.49303	+0.00	+0.00	+0.000

THE POUND SPOT AND FORWARD

Dec 21	Day's spread	Close	One month	% Three months	% p.a.
U.S.	1.4180-1.4225	1.4220-1.4230	0.13-0.18 dis	-1.31	0.30-0.35 dis
Canada	1.7700-1.7740	1.7730-1.7740	0.15-0.20 dis	-1.35	0.35-0.40 dis
Netherlands	4.41-4.45	4.42-4.43	0.15-0.20 dis	-1.35	0.35-0.40 dis
Belgium	4.90-4.95	4.91-4.92	0.15-0.20 dis	-1.35	0.35-0.40 dis
Denmark	12.90-13.10	12.95-13.00	0.15-0.20 dis	-1.35	0.35-0.40 dis
France	52.76-52.78	52.77-52.78	0.15-0.20 dis	-1.35	0.35-0.40 dis
Italy	1,936.3-1,936.4	1,936.3-1,936.4	0.15-0.20 dis	-1.35	0.35-0.40 dis
Spain	166.63-166.64	166.63-166.64	0.15-0.20 dis	-1.35	0.35-0.40 dis
Portugal	200.48-200.49	200.48-200.49	0.15-0.20 dis	-1.35	0.35-0.40 dis
Sweden	11.90-11.95	11.92-11.93	0.15-0.20 dis	-1.35	0.35-0.40 dis
Japan	254.2-254.3	254.2-254.3	0.15-0.20 dis	-1.35	0.35-0.40 dis
Australia	2.70-2.75	2.72-2.73	0.15-0.20 dis	-1.35	0.35-0.40 dis
Switzerland	2.20-2.25	2.21-2.22	0.15-0.20 dis	-1.35	0.35-0.40 dis

THE DOLLAR SPOT AND FORWARD

Dec 21	Day's spread	Close	One month	% Three months	% p.a.
U.S.	1.4180-1.4225	1.4220-1.4230	0.13-0.18 dis	-1.31	0.30-0.35 dis
Canada	1.7700-1.7740	1.7730-1.7740	0.15-0.20 dis	-1.35	0.35-0.40 dis
Netherlands	4.41-4.45	4.42-4.43	0.15-0.20 dis	-1.35	0.35-0.40 dis
Belgium	4.90-4.95	4.91-4.92	0.15-0.20 dis	-1.35	0.35-0.40 dis
Denmark	12.90-13.10	12.95-13.00	0.15-0.20 dis	-1.35	0.35-0.40 dis
France	52.76-52.78	52.77-52.78	0.15-0.20 dis	-1.35	0.35-0.40 dis
Italy	1,936.3-1,936.4	1,936.3-1,936.4	0.15-0.20 dis	-1.35	0.35-0.40 dis
Spain	166.63-166.64	166.63-166.64	0.15-0.20 dis	-1.35	0.35-0.40 dis
Portugal	200.48-200.49	200.48-200.49	0.15-0.20 dis	-1.35	0.35-0.40 dis
Sweden	11.90-11.95	11.92-11.93	0.15-0.20 dis	-1.35	0.35-0.40 dis
Japan	254.2-254.3	254.2-254.3	0.15-0.20 dis	-1.35	0.35-0.40 dis
Australia	2.70-2.75	2.72-2.73	0.15-0.20 dis	-1.35	0.35-0.40 dis
Switzerland	2.20-2.25	2.21-2.22	0.15-0.20 dis	-1.35	0.35-0.40 dis

OTHER CURRENCIES

Dec 21	£	¥	Notes
Argentina Ptas	51.10-51.17	21.87-21.90	70.80-70.90
Australia	1.6015-1.6065	1.1255-1.1275	50.70-50.80
Brazil Cruzeiro	1,251.0-1,251.5	1,251.0-1,251.5	14.17-14.21
Canada	1.7700-1.7740	1.7730-1.7740	12.90-13.10
Chile	1,251.0-1,251.5	1,251.0-1,251.5	14.17-14.21
Colombia	1,251.0-1,251.5	1,251.0-1,251.5	14.17-14.21
Czech Koruna	1,251.0-1,251.5	1,251.0-1,251.5	14.17-14.21
Denmark	12.90-13.10	12.95-13.00	0.15-0.20 dis
Hong Kong Dollar	11.00-11.01	7.70-7.71	7.70-7.71
India Rupee	11.00-11.01	7.70-7.71	7.70-7.71
Indonesia Rupiah	1,251.0-1,251.5	1,251.0-1,251.5	14.17-14.21
Iran Rial	1,251.0-1,251.5	1,251.0-1,251.5	14.17-14.21
Israel Sheqel	1,251.0-1,251.5	1,251.0-1,251.5	14.17-14.21
Japan	254.2-254.3	254.2-254.3	0.15-0.20 dis
Korea Won	1,251.0-1,251.5	1,251.0-1,251.5	14.17-14.21
Malaysia Ringgit	1,251.0-1,251.5	1,251.0-1,251.5	14.17-14.21
New Zealand Dollar	1,251.0-1,251.5	1,251.0-1,251.5	14.17-14.21
Philippines Peso	1,251.0-1,251.5	1,251.0-1,251.5	14.17-14.21
Saudi Rial	1,251.0-1,251.5	1,251.0-1,251.5	14.17-14.21
South Africa Rand	1,251.0-1,251.5	1,251.0-1,251.5	14.17-14.21
South Korea Won	1,251.0-1,251.5	1,251.0-1,251.5	14.17-14.21
Swedish Krona	1,251.0-1,251.5	1,251.0-1,251.5	14.17-14.21
Switzerland	2.20-2.25	2.21-2.22	0.15-0.20 dis
Taiwan Dollar	1,251.0-1,251.5	1,251.0-1,251.5	14.17-14.21
Thailand Baht	1,251.0-1,251.5	1,251.0-1,251.5	14.17-14.21
United States	1.4180-1.4225	1.4220-1.4230	0.13-0.18 dis
Yugoslavia	1,251.0-1,251.5	1,251.0-1,251.5	14.17-14.21

CURRENCY MOVEMENTS

Dec 21	Bank of England	Morgan Stanley	Special Drawing Rights	European Currency Unit
U.S. dollar	1.4180-1.4225	1.4220-1.4230	0.13-0.18 dis	-1.31
Canada	1.7700-1.7740	1.7730-1.7740	0.15-0.20 dis	-1.35
Netherlands	4.41-4.45	4.42-4.43	0.15-0.20 dis	-1.35
Belgium	4.90-4.95	4.91-4.92	0.15-0.20 dis	-1.35
Denmark	12.90-13.10	12.95-13.00	0.15-0.20 dis	-1.35
France	52.76-52.78	52.77-52.78	0.15-0.20 dis	-1.35
Italy	1,936.3-1,936.4	1,936.3-1,936.4	0.15-0.20 dis	-1.35
Spain	166.63-166.64	166.63-166.64	0.15-0.20 dis	-1.35
Portugal	200.48-200.49	200.48-200.49	0.15-0.20 dis	-1.35
Sweden	11.90-11.95	11.92-11.93	0.15-0.20 dis	-1.35
Japan	254.2-254.3	254.2-254.3	0.15-0.20 dis	-1.35
Australia	2.70-2.75	2.72-2.73	0.15-0.20 dis	-1.35
Switzerland	2.20-2.25	2.21-2.22	0.15-0.20 dis	-1.35

CURRENCY RATES

Dec 21	Bank of England	Morgan Stanley	Special Drawing Rights	European Currency Unit
U.S. dollar	1.4180-1.4225	1.4220-1.4230	0.13-0.18 dis	-1.31
Canada	1.7700-1.7740	1.7730-1.7740	0.15-0.20 dis	-1.35
Netherlands	4.41-4.45	4.42-4.43	0.15-0.20 dis	-1.35
Belgium	4.90-4.95	4.91-4.92	0.15-0.20 dis	-1.35
Denmark	12.90-13.10	12.95-13.00	0.15-0.20 dis	-1.35
France	52.76-52.78	52.77-52.78	0.15-0.20 dis	-1.35
Italy	1,936.3-1,936.4	1,936.3-1,936.4	0.15-0.20 dis	-1.35
Spain	166.63-166.64	166.63-166.64	0.15-0.20 dis	-1.35
Portugal	200.48-200.49	200.48-200.49	0.15-0.20 dis	-1.35
Sweden	11.90-11.95	11.92-11.93	0.15-0.20 dis	-1.35
Japan	254.2-254.3	254.2-254.3	0.15-0.20 dis	-1.35
Australia	2.70-2.75	2.72-2.73	0.15-0.20 dis	-1.35
Switzerland	2.20-2.25	2.21-2.22	0.15-0.20 dis	-1.35

EXCHANGE CROSS RATES

Dec 21	£	¥	Notes
Argentina Ptas	51.10-51.17	21.87-21.90	70.80-70.90
Australia	1.6015-1.6065	1.1255-1.1275	50.70-50.80
Brazil Cruzeiro	1,251.0-1,251.5	1,251.0-1,251.5	14.17-14.21
Canada	1.7700-1.7740	1.7730-1.7740	12.90-13.10
Chile	1,251.0-1,251.5	1,251.0-1,251.5	14.17-14.21
Colombia	1,251.0-1,251.5	1,251.0-1,251.5	14.17-14.21
Czech Koruna	1,251.0-1,251.5	1,251.0-1,251.5	14.17-14.21
Denmark	12.90-13.10	12.95-13.00	0.15-0.20 dis
Hong Kong Dollar	11.00-11.01	7.70-7.71	7.70-7.71
India Rupee	11.00-11.01	7.70-7.71	7.70-7.71
Indonesia Rupiah	1,251.0-1,251.5	1,251.0-1,251.5	14.17-14.21
Iran Rial	1,251.0-1,251.5	1,251.0-1,251.5	14.17-14.21
Israel Sheqel	1,251.0-1,251.5	1,251.0-1,251.5	14.17-14.21
Japan	254.2-254.3	254.2-254.3	0.15-0.20 dis
Korea Won	1,251.0-1,251.5	1,251.0-1,251.5	14.17-14.21
Malaysia Ringgit	1,251.0-1,251.5	1,251.0-1,251.5	14.17-14.21
New Zealand Dollar	1,251.0-1,251.5	1,251.0-1,251.5	14.17-14.21
Philippines Peso	1,251.0-1,251.5	1,251.0-1,251.5	14.17-14.21
Saudi Rial	1,251.0-1,251.5	1,251.0-1,251.5	14.17-14.21
South Africa Rand	1,251.0-1,251.5	1,251.0-1,251.5	14.17-14.21
South Korea Won	1,251.0-1,251.5	1,251.0-1,251.5	14.17-14.21
Swedish Krona	1,251.0-1,251.5	1,251.0-1,251.5	14.17-14.21
Switzerland	2.20-2.25	2.21-2.22	0.15-0.20 dis
Taiwan Dollar	1,251.0-1,251.5	1,251.0-1,251.5	14.17-14.21
Thailand Baht	1,251.0-1,251.5	1,251.0-1,251.5	14.17-14.21
United States	1.4180-1.4225	1.4220-1.4230	0.13-0.18 dis
Yugoslavia	1,251.0-1,251.5	1,251.0-1,251.5	14.17-14.21

EURO-CURRENCY INTEREST RATES (Market closing rates)

Dec 21	£	¥	Notes
Argentina Ptas	51.10-51.17	21.87-21.90	70.80-70.90
Australia	1.6015-1.6065	1.1255-1.1275	50.70-50.80
Brazil Cruzeiro	1,251.0-1,251.5	1,251.0-1,251.5	14.17-14.21
Canada	1.7700-1.7740	1.7730-1.7740	12.90-13.10
Chile	1,251.0-1,251.5	1,251.0-1,251.5	14.17-14.21
Colombia	1,251.0-1,251.5	1,251.0-1,251.5	14.17-14.21
Czech Koruna	1,251.0-1,251.5	1,251.0-1,251.5	14.17-14.21
Denmark	12.90-13.10	12.95-13.00	0.15-0.20 dis
Hong Kong Dollar	11.00-11.01	7.70-7.71	7.70-7.71
India Rupee	11.00-11.01	7.70-7.71	7.70-7.71
Indonesia Rupiah	1,251.0-1,251.5	1,251.0-1,251.5	14.17-14.21
Iran Rial	1,251.0-1,251.5	1,251.0-1,251.5	14.17-14.21
Israel Sheqel	1,251.0-1,251.5	1,251.0-1,251.5	14.17-14.21
Japan	254.2-254.3	254.2-254.3	0.15-0.20 dis
Korea Won	1,251.0-1,251.5	1,251.0-1,251.5	14.17-14.21
Malaysia Ringgit	1,251.0-1,251.5	1,251.0-1,251.5	14.17-14.21
New Zealand Dollar	1,251.0-1,251.5	1,251.0-1,251.5	14.17-14.21
Philippines Peso	1,251.0-1,251.5	1,251.0-1,251.5	14.17-14.21
Saudi Rial	1,251.0-1,251.5	1,251.0-1,251.5	14.17-14.21
South Africa Rand	1,251.0-1,251.5	1,251.0-1,251.5	14.17-14.21
South Korea Won	1,251.0-1,251.5	1,251.0-1,251.5	14.17-14.21
Swedish Krona	1,251.0-1,251.5	1,251.0-1,251.5	14.17-14.21
Switzerland	2.20-2.25	2.21-2.22	0.15-0.20 dis
Taiwan Dollar	1,251.0-1,251.5	1,251.0-1,251.5	14.17-14.21
Thailand Baht	1,251.0-1,251.5	1,251.0-1,251.5	14.17-14.21
United States	1.4180-1.4225	1.4220-1.4230	0.13-0.18 dis
Yugoslavia	1,251.0-1,251.5	1,251.0-1,251.5	14.17-14.21

EURO-CURRENCY INTEREST RATES (Market closing rates)

Dec. 01	Starting	Dollar	Dollar
Short term 7 day's notice	87 1/2 - 88 1/2	94 1/2 - 95 1/2	8-9 1/2
Month	87 1/2 - 88 1/2	94 1/2 - 95 1/2	8 1/2 - 9 1/2
Three months	87 1/2 - 88 1/2	101 1/2 - 102 1/2	9 1/2 - 9 3/4
Six months	87 1/2 - 88 1/2	101 1/2 - 102 1/2	9 1/2 - 10 1/4
One Year	87 1/2 - 88 1/2	101 1/2 - 102 1/2	10 1/2 - 10 3/4

22nd December 1983

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December 1983